

Town of Lebanon, Connecticut

State & Federal Compliance Audit

June 30, 2009

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

Town of Lebanon, Connecticut

June 30, 2009

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Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Lebanon , Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management accounts for teachers summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund and , accordingly have not recorded a liability and corresponding expense for these items as of and for the year ended June 30, 2009. Accounting principles generally accepted in the United States of America require the modified accrual basis of accounting to be followed in the preparation of the financial statements. The proper recording of teacher summer salaries would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$974,818 and total expenses would have increased by approximately \$42,231. The proper recording of town hall fiscal year ending payroll would have increased the liabilities and decreased the fund balance amount of the general fund by approximately \$31,894 and total expenses would have decreased by approximately \$5,668. In addition, the Town did not implement the requirements of Government Accounting Standards Board Statement numbers 43 and 45 as they relate to the accounting for Other Post-Employment Benefits. The effects of not implementing this standard cannot be estimated and are more fully described in Note 15 on page 35.

In our opinion, except for the effects of accounting for teachers summer salaries and town hall fiscal year ending payrolls on the cash basis of accounting in the general fund and the failure to implement the requirements of Government Accounting Standards Board Statement numbers 43 and 45 as they relate to the accounting for Other Post-Employment Benefits as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Town of Lebanon, Connecticut, as of June 30, 2009, and the respective changes in financial information and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the town construction projects fund, the capital and non-recurring fund, and the investment trust fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2010, on our consideration of the Town of Lebanon, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures consisting principally of management inquiries regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's basic financial statements. The combining, individual fund financial statements, and other supplementary information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Lebanon, Connecticut. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 14, 2010

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

Our discussion and analysis of the Town of Lebanon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

Financial Highlights - Government-wide financial statements

- The Town's total assets exceeded its total liabilities by \$38,642,506 (net assets) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$38,194,711. This represents a favorable increase of approximately 1.17% which compares to a favorable increase of 6.92% in the prior fiscal year.
- The Town's invested in capital assets, net of related debt net asset balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total invested in capital assets, net of related debt net asset balance of the Town was \$30,543,463 (79.04% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$28,906,441 (75.68% of total net assets). This represents an increase of approximately 5.66% which compares to an increase of approximately 8.80% in the prior fiscal year. This current fiscal year increase is the result of a decrease in the related debt of \$1,084,056, current depreciation in the amount of \$1,457,867 and current capital asset additions in the amount of \$2,010,833.
- The Town's restricted net assets are used to account for funds received with constraints imposed by grantors and contributors. These net assets *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net asset balance of the Town was \$2,805,675 (7.26% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$3,522,406 (9.22% of total net assets). This represents a decrease of approximately 20.35%. This decrease is due in part to the use of \$25,440 in previously restricted donations for the senior center project, a decrease in long-term accounts receivable of \$451,517 and current year decrease in the fair value of restricted investments of \$364,427.
- The Town's unrestricted net asset balance is the component of net assets which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net asset balance of the Town was \$5,293,368 (13.70% of total net assets) as of the end of the current fiscal year. This compares to the prior fiscal year balance of \$5,765,866 (15.10% of total net assets). This represents an unfavorable decrease of approximately 8.19%.
- The Town's total revenues for its governmental activities were \$25,660,852 for the current fiscal. This compares to the prior fiscal year balance of \$31,663,420. This represents a decrease of approximately 18.96% or \$6,002,568. This is due in large part to the year to year fluctuation in the state funding percentage and in turn the on-behalf payments made to the teachers retirement system. The on-behalf payments made by the state for the current and prior two fiscal years equaled \$1,293,341 for 2009, \$6,052,936 for 2008 and \$993,409 for 2007. The on-behalf funding percentage used by the state for the current and prior two fiscal years equaled 15.44% for 2009, 74.00% for 2008 and 12.65% for 2007.
- The cost of the Town's governmental activities was \$25,213,059 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only \$13,666,050 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of \$2,598,240, and through operating and capital grants received from the State (state and federal dollars) in the amount of \$8,948,769. This amounts to approximately 54.20% of the cost of these governmental activities actually being financed by general revenues of the Town. This compares to approximately 39.29% of the cost of the governmental activities of the Town being financed by the general revenues of the town for the prior fiscal year. The individual breakdown of how these charges for services and operating and capital grants were received by department for the current fiscal year is shown on Statement B on page 11.
- The Board of Education and the related programs of the Town received approximately \$1,366,092 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs and projects from school renovations, the school lunch program, to improving basic programs, to enhancing education through technology. This compares to approximately \$1,676,850 in the prior fiscal year. This decrease is in part due to no revenue being received for the school renovations project during the current fiscal year which compares to \$641,682 being received for this project in the prior fiscal year. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as deferred revenues on the Statement of net assets.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net assets and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance Sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 10 with the Statement of net assets. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net assets and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net assets includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the statement of activities.

These two statements report the Town's net assets and the changes in these net assets. You can think of these net assets as one way to measure the financial health and financial position of the Town. The net asset balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public safety, public works, health recreation and social services, community preservation, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law and by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as the community center or recreation commission) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended in the town bridge projects fund). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

The Town as a trustee

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds which are characterized as follows:

- Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments.

The Town as a whole - Assets, liabilities, and net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. As shown below the Town maintains a high current ratio. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 3.15 to 1 compared to the end of the prior fiscal year when the current ratio was 3.21 to 1. This ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was \$4,389,820. This compares to the prior fiscal year positive balance of \$4,878,820. This represents an unfavorable decrease of approximately 10.02%. This unfavorable decrease is due mostly to the net results of the town construction projects fund whose expenditures exceeded its revenues during the current fiscal year. The net result within this fund was an unfavorable decrease of \$663,433.

	Governmental Activities		Percentage of Total	
	2009	2008	2009	2008
Current assets	\$ 6,433,533	\$ 7,082,536	13.97%	15.13%
Other assets	2,924,334	3,576,536	6.35%	7.64%
Capital assets	36,708,271	36,155,305	79.68%	77.23%
	<u>\$ 46,066,138</u>	<u>\$ 46,814,377</u>	<u>100.00%</u>	<u>100.00%</u>
Current and other liabilities	\$ 2,043,713	\$ 2,203,716	27.53%	24.71%
Long-term liabilities outstanding	5,379,919	6,415,948	72.47%	75.29%
	<u>\$ 7,423,632</u>	<u>\$ 8,619,664</u>	<u>100.00%</u>	<u>100.00%</u>
Net assets:				
Invested in capital assets, net of debt	\$ 30,543,463	\$ 28,906,441	79.04%	75.68%
Restricted	2,805,675	3,522,406	7.26%	9.22%
Unrestricted	5,293,368	5,765,866	13.70%	15.10%
	<u>\$ 38,642,506</u>	<u>\$ 38,194,713</u>	<u>100.00%</u>	<u>100.00%</u>
Restricted net assets:				
Long-term accounts receivable	\$ 402,538	\$ 824,523		
Encumbrances	-	8,142		
Restricted donations	273,549	298,989		
Community development projects	455,657	354,172		
Restricted investments	1,360,096	1,722,837		
Principal balance of permanent funds	313,835	313,743		
	<u>\$ 2,805,675</u>	<u>\$ 3,522,406</u>		

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

The Town as a whole - Revenues, expenses, and changes in net assets

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and should be used to give the reader an indication of how the Town's activities were financed during the current fiscal year in comparison to the prior fiscal year. The comparison of expenses shown below indicates that the general make-up of the Town's spending by department as a percentage of total spending was consistent for the current fiscal year in comparison to the prior fiscal year.

	Governmental Activities		Percentage of Total	
	2009	2008	2009	2008
Program revenues				
Charges for services	\$ 2,598,240	\$ 2,630,840	10.13%	8.31%
Operating grants	8,832,931	13,319,405	34.42%	42.07%
Capital grants	115,838	1,770,053	0.45%	5.59%
General revenues				
Property taxes, interest, and liens	13,791,220	13,438,113	53.74%	42.44%
State property tax relief revenues	115,642	123,453	0.45%	0.39%
Other unclassified state revenues	-	-	-	-
Net change in the fair value of investments	-364,427	-250,710	-1.41%	-0.46%
Interest and dividends	129,553	188,983	0.50%	0.60%
Miscellaneous	441,855	443,283	1.72%	1.06%
Total revenues	25,660,852	31,663,420	100.00%	100.00%
Expenses				
General government	907,562	969,467	3.60%	3.32%
Public safety	614,548	650,955	2.44%	2.23%
Public works	1,259,921	1,129,194	5.00%	3.87%
Health, recreation, and social services	649,798	603,158	2.58%	2.10%
Community preservation	190,808	160,891	0.76%	0.55%
Education	19,046,514	18,310,837	75.54%	62.73%
Education - on behalf	1,293,341	6,052,936	5.13%	20.74%
Unclassified and program	587,988	611,117	2.33%	2.09%
Capital outlay	-	-	-	-
Depreciation	376,148	367,461	1.49%	1.26%
Debt service:				
Interest	286,431	334,744	1.13%	1.11%
Total expenses	25,213,059	29,190,760	100.00%	100.00%
Change in net assets	447,793	2,472,660		
Net assets - July 1	38,194,713	35,722,053		
Net assets - June 30	<u>\$ 38,642,506</u>	<u>\$ 38,194,713</u>		
Expenses financed by general revenues:				
Total expenses	\$ 25,213,059	\$ 29,190,760		
Less charges for services	-2,598,240	-2,630,840		
Less operating grants and contributions	-8,832,931	-13,319,405		
Less capital grants and contributions	-115,838	-1,770,053		
	<u>\$ 13,666,050</u>	<u>\$ 11,470,462</u>	<u>54.20%</u>	<u>39.29%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets of the Town are required to be reported in accordance with GAAP. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1L on page 23 and note 5 on page 28.

	Governmental Activities		Percentage of total	
	2009	2008	2009	2008
Land and improvements	\$ 1,896,289	\$ 1,896,289	2.90%	2.99%
Buildings and improvements	35,748,369	33,425,262	54.67%	52.74%
Vehicles	3,330,852	3,275,077	5.09%	5.17%
Equipment	673,646	619,303	1.03%	0.98%
Infrastructure	22,523,547	22,273,079	34.45%	35.15%
Construction in progress	1,211,661	1,884,521	1.86%	2.97%
Total historical cost	65,384,364	63,373,531	100.00%	100.00%
Less accumulated depreciation	-28,676,093	-27,218,226		
Total capital assets (net)	<u>\$ 36,708,271</u>	<u>\$ 36,155,305</u>		

Debt administration

The debt of the town includes long-term bonds, notes, and capital leases payable in addition to accrued compensated absences (accumulated vacation and sick time) and accrued landfill post-closure care costs. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The portion due within one year for bonds, notes, and capital leases payable decreased by approximately 2.03% as a result of the variations between payment schedules. The portion due after one year decreased by approximately 17.23% as a result of the annual payments made on the individual bonds, notes, and capital leases. More detailed information on the debt of the Town can be found in note 6 starting on page 29.

	Governmental Activities		Percentage of total	
	2009	2008	2009	2008
Bonds, notes, capital leases payable:				
Portion due within one year	\$ 1,061,983	\$ 1,084,056	16.49%	14.45%
Portion due after one year	5,102,825	6,164,808	79.21%	82.20%
Accrued compensated absences - school	90,109	64,729	1.40%	0.86%
Accrued compensated absences - town	63,354	51,580	0.98%	0.69%
Accrued landfill post-closure costs	123,631	134,831	1.92%	1.80%
Total debt	<u>\$ 6,441,902</u>	<u>\$ 7,500,004</u>	<u>100.00%</u>	<u>100.00%</u>

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance Sheet on page 12 and the Statement of Revenues, Expenditures, and Changes in Fund Balances on page 14.

Financial highlights - Fund financial statements

- The total assets of the Town's governmental funds exceeded the total liabilities by \$7,247,211 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by \$7,896,804, an unfavorable decrease of approximately 8.23% or \$649,593. This unfavorable decrease is due mostly to the net results of the town's major funds. The town construction projects fund decreased by -\$663,433 while the capital non-recurring fund decreased by -\$13,336 and the investments trust funds decreased by -\$359,885. These decreases and other fund increases can more fully be seen by reviewing Statement D on page 14 and the corresponding combining schedules and sub-schedules as found in the table of contents.
- The total revenues of the Town's governmental funds were \$26,174,533 for the current fiscal year in comparison to \$31,938,900 in the prior fiscal year. This represents a decrease of approximately 18.05% or \$5,764,367. This is due in large part to the year to year fluctuation in the state funding percentage and in turn the on-behalf payments made to the teachers retirement system. The on-behalf payments made by the state for the current and prior two fiscal years equaled \$1,293,341 for 2009, \$6,052,936 for 2008 and \$993,409 for 2007. The on-behalf funding percentage used by the state for the current and prior two fiscal years equaled 15.44% for 2009, 74.00% for 2008 and 12.65% for 2007.
- The total expenditures of the Town's governmental funds were \$26,824,126 for the current fiscal year in comparison to \$31,501,866 in the prior fiscal year. This represents a decrease of approximately 14.85% or \$4,677,740. This decrease is made up of a number of increases and decreases within the funds of the Town. As mentioned above for revenues, on-behalf payments to the teachers retirement expenditures decreased by \$4,759,595. In addition, expenditures within the town construction projects major fund decreased by -\$174,966. The expenditures of the operational departments of the Town remained relatively consistent with some fluctuations in the general governmental expenditures due to normal fluctuations in spending.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's governmental funds was a negative -\$649,593 for the current fiscal year in comparison to a positive \$437,034 in the prior fiscal year. This represents an unfavorable decrease. As described in item one above, this decrease was due in large part to the net activities of the Town's three major funds.
- The net change in fund balance (excess of revenues over-under expenditures) for the Town's general fund was \$226,357 for the current fiscal year in comparison to \$120,116 for the prior fiscal year. This represents a favorable increase of approximately 88.45% and relates in part to the following selected budgetary highlights from the current and prior fiscal year.
- The actual revenues received in the Town's general fund were -\$141,491 lower than the budget revenues for the current fiscal year which is an unfavorable variance in comparison to \$381,125 higher for the prior fiscal year which was a favorable variance. During the current fiscal year the actual school tuition revenue received was -\$14,599 lower than the budgeted amount in comparison to \$300,374 higher for the prior fiscal year. The actual revenue amounts received from the State for education cost sharing and other related revenues were -\$115,622 lower than the budgeted amount in comparison to \$130,509 higher for the prior fiscal year. In addition, during the current fiscal year the amount received for charges for services was -\$50,424 lower than the budgeted amount in comparison to -\$78,323 lower in the prior fiscal year.
- The actual program expenditures in the Town's general fund were \$392,073 lower than the budgeted expenditures for the current fiscal year which is a favorable variance in comparison to \$208,283 lower than the budgeted expenditures for the prior fiscal year which was also a favorable variance. This under expenditure can be attributed in large part to the board of education (\$222,393 under budget), the medical life insurance account (\$51,370 under budget), the buildings and grounds department (\$11,328 under budget) and the senior center operations department (\$11,664 under budget).
- In the current fiscal year, the inhabitants of the Town approved the use of \$25,143 of its general un-designated fund balance to offset current year over expenditures within certain budget lines and departments. This in effect is the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal, the inhabitants of the Town approved the use of \$47,427 of its un-designated fund balance in this same manner.

Town of Lebanon, Connecticut
Management's Discussion and Analysis
June 30, 2009

Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net asset and un-designated fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. In addition, the Town has recently completed a revaluation of assessed values of property located within the Town. This revaluation is expected to reduce the effective mil rate, however, the amount of the cost of the total governmental activities financed by taxpayers is expected to be comparable to prior fiscal years.

Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 579 Exeter Road, Lebanon, Connecticut 06249.

Town of Lebanon, Connecticut
Statement of net assets
June 30, 2009

Assets	Governmental activities
Current assets:	
Cash	\$ 4,761,255
Investments	230,626
Accounts receivable	985,557
Current portion of long-term accounts receivable	421,986
Tax acquired property	6,428
Inventories	10,675
Prepaid items	17,006
Total current assets	<u>6,433,533</u>
Capital assets	
Land	1,896,289
Building and improvements	35,748,369
Vehicles	3,330,852
Equipment	673,646
Infrastructure	22,523,547
Construction in progress	1,211,661
	<u>65,384,364</u>
Less accumulated depreciation	-28,676,093
Total capital assets	<u>36,708,271</u>
Other assets	
Restricted cash	724,625
Restricted investments	1,360,096
Long-term accounts receivable	402,813
Notes receivable	436,800
Total other assets	<u>2,924,334</u>
Total Assets	<u><u>\$ 46,066,138</u></u>
Liabilities	
Accounts payable	\$ 490,399
Accrued payroll	73,980
Other liabilities	75,138
Deferred revenues	342,213
Long-term debt	
Portion due within one year	1,061,983
Portion due after one year	5,102,825
Accrued compensated absences	153,463
Accrued landfill post closure care cost	123,631
Total liabilities	<u>7,423,632</u>
Net assets	
Invested in capital assets, net of related debt	30,543,463
Restricted	2,805,675
Unrestricted	5,293,368
Total net assets	<u>38,642,506</u>
Total liabilities and net assets	<u><u>\$ 46,066,138</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of activities
For the year ended June 30, 2009

	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
Primary government:					
Governmental activities:					
General government	\$ -907,562	\$ 98,449	\$ 6,766	\$ -	\$ -802,347
Public safety	-614,548	208,919	2,965	-	-402,664
Public works	-1,259,921	121,123	244,511	-	-894,287
Health, recreation, and social	-649,798	40,979	2,332	-	-606,487
Community preservation	-190,808	15,448	61,290	-	-114,070
Education	-19,046,514	2,110,472	7,024,571	-	-9,911,471
Education - on behalf	-1,293,341	-	1,293,341	-	-
Unclassified and program	-587,988	2,850	197,155	-	-387,983
Capital outlay	-	-	-	115,838	115,838
Depreciation					
General infrastructure	-376,148	-	-	-	-376,148
Debt service					
Interest	-286,431	-	-	-	-286,431
	<u>\$ -25,213,059</u>	<u>\$ 2,598,240</u>	<u>\$ 8,832,931</u>	<u>\$ 115,838</u>	<u>-13,666,050</u>
General revenues:					
					13,791,220
Property tax revenues, interest, and liens					115,642
State property tax relief revenues					-
Other unclassified state revenues					-364,427
Net change in fair value of investments					129,553
Interest and dividends					441,855
Miscellaneous					14,113,843
Total general revenues					
Change in net assets					447,793
Net assets - July 1					38,194,713
Net assets - June 30					<u>\$ 38,642,506</u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Balance sheet - Governmental funds
June 30, 2009

Assets	General fund	Town construction projects	Capital & nonrecurring fund	Investment trust funds	Non-major governmental funds	Total government funds
Cash	\$ 3,356,556	\$ -	\$ 490,268	\$ -	\$ 1,639,056	\$ 5,485,880
Investments	230,626	-	-	1,354,107	5,989	1,590,722
Receivables (net of allowance)						
Property taxes	507,254	-	-	-	23,078	530,332
Intergovernmental	-	25,000	-	-	42,016	67,016
Other	379,952	-	3,000	-	5,257	388,209
Notes receivable	-	-	-	-	436,800	436,800
Tax acquired property	6,428	-	-	-	-	6,428
Inventories	-	-	-	-	10,675	10,675
Prepaid items	17,006	-	-	-	-	17,006
Due from other funds	1,476,704	15,786	413,550	-	604,750	2,510,790
Total assets	\$ 5,974,526	\$ 40,786	\$ 906,818	\$ 1,354,107	\$ 2,767,621	\$ 11,043,858
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 414,499	\$ 38	\$ 29,579	\$ -	\$ 46,283	\$ 490,399
Accrued payroll	73,980	-	-	-	-	73,980
Other liabilities	72,142	-	-	-	2,996	75,138
Deferred property tax revenues	416,236	-	-	-	23,078	439,314
Deferred other revenues	207,026	-	-	-	-	207,026
Due to other funds	1,032,967	938,252	-	-	539,571	2,510,790
Total liabilities	2,216,850	938,290	29,579	-	611,928	3,796,647
Fund balances:						
Reserved for:						
Permanent fund principal	-	-	-	-	318,874	318,874
Revolving loan fund	-	-	-	-	455,657	455,657
Prepaid items	17,006	-	-	-	-	17,006
Inventories	-	-	-	-	10,675	10,675
Encumbrances	-	-	-	-	-	-
Unreserved:						
Reported in general fund	3,740,670	-	-	-	-	3,740,670
Reported in special revenues	-	-	-	-	1,407,462	1,407,462
Reported in capital projects	-	-897,504	877,239	-	-37,925	-58,190
Reported in permanent funds	-	-	-	1,354,107	950	1,355,057
Total fund balances	3,757,676	-897,504	877,239	1,354,107	2,155,693	7,247,211
Total liabilities and fund balances	\$ 5,974,526	\$ 40,786	\$ 906,818	\$ 1,354,107	\$ 2,767,621	\$ 11,043,858

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement A to Statement C
for all governmental funds and activities
June 30, 2009

Fund balances of governmental funds as shown on Statement C \$ 7,247,211

Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different than the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows:

1	Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in:		
	Cost	65,384,364	
	Less accumulated depreciation	<u>-28,676,093</u>	36,708,271
2	The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred revenue on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in:		416,236
3	Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting, however the government-wide financial statements do not record revenues until they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out:		-112,109
4	Inter fund receivable and payable balances between governmental funds are reported on Statement C but eliminated on the Statement A:		
	Inter fund receivables	2,510,790	
	Inter fund payables	<u>-2,510,790</u>	-
5	Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out:		
	Bonds, notes, and capital leases payable	-6,164,808	
	Accrued compensated balances	-153,463	
	Estimated liability for post closure landfill care	<u>-123,631</u>	-6,441,902
6	Amounts expected to be received by the Town from the State for there share of certain long-term liability payments are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A in whole due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		691,979
7	Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in:		<u>132,820</u>

Net assets of governmental activities as shown on Statement A \$ 38,642,506

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2009

	General fund	Town construction projects	Capital & nonrecurring fund	Investment trust funds	Non-major governmental funds	Total governmental funds
Revenues						
Property taxes, interest, and liens	\$ 13,795,003	\$ -	\$ -	\$ -	\$ 7,045	\$ 13,802,048
Intergovernmental - education	6,163,231	-	-	-	1,366,092	7,529,323
Intergovernmental - on behalf	1,293,341	-	-	-	-	1,293,341
Intergovernmental - tax relief	115,642	-	-	-	-	115,642
Intergovernmental - other	178,867	111,819	-	-	335,259	625,945
Tuition	1,792,461	-	-	-	-	1,792,461
Charges for services	281,076	-	-	-	524,703	805,779
Net change in investment fair value	-	-	-	-361,571	-2,856	-364,427
Interest and dividends	43,657	-	8,227	55,828	21,841	129,553
Miscellaneous	60,905	-	2,900	-	381,063	444,868
Total revenues	23,724,183	111,819	11,127	-305,743	2,633,147	26,174,533
Expenditures						
Current:						
General government	761,755	-	91,721	-	42,261	895,737
Public safety	285,072	-	1,192	-	176,185	462,449
Public works	1,058,411	-	9,821	-	131,931	1,200,163
Health, recreation, and social	143,327	-	12,715	-	461,831	617,873
Community preservation	112,428	-	13,216	-	65,164	190,808
Education	16,383,127	-	-	-	1,827,390	18,210,517
Education - on behalf	1,293,341	-	-	-	-	1,293,341
Unclassified and program	367,974	-	4,525	195	213,834	586,528
Capital outlay	-	1,121,292	866,879	-	22,662	2,010,833
Debt service:						
Principle	1,069,446	-	-	-	-	1,069,446
Interest	286,431	-	-	-	-	286,431
Total expenditures	21,761,312	1,121,292	1,000,069	195	2,941,258	26,824,126
Excess of revenues over (under) expenditures	1,962,871	-1,009,473	-988,942	-305,938	-308,111	-649,593
Other financing sources (uses)						
Operating transfers in	9,717	346,040	995,532	-	524,264	1,875,553
Operating transfers out	-1,746,231	-	-19,926	-53,947	-55,449	-1,875,553
Total other financing sources (uses)	-1,736,514	346,040	975,606	-53,947	468,815	-
Net change in fund balance	226,357	-663,433	-13,336	-359,885	160,704	-649,593
Fund balance - July 1	3,531,319	-234,071	890,575	1,713,992	1,994,989	7,896,804
Fund balance - June 30	\$ 3,757,676	\$ -897,504	\$ 877,239	\$ 1,354,107	\$ 2,155,693	\$ 7,247,211

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Reconciliation of Statement B and Statement D
for all governmental funds and activities
June 30, 2009

Net changes in governmental fund balances as shown on Statement D \$ -649,593

Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different than the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows:

1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over their estimated useful lives in Statement B. Therefore the following adjustments must be made:		
Current year capital asset purchases to be capitalized	2,010,833	
Current year depreciation expense on current and previous capital assets	<u>-1,457,868</u>	552,965
2 Property tax revenues are recognized on Statement D as described in note 1G of the notes to the financial statements however property tax revenues are recorded in the full amount of the annual levy in Statement B and therefore the current year adjustment described in note 1G must be added back in or subtracted back out:		
		-11,103
3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. This difference in revenue recognition policies results in certain revenue amount being recorded in Statement B and deferred in Statement D.		
Prior year deferred revenue amounts to be recognized	60,773	
Current year revenue amounts to be deferred	<u>-112,109</u>	-51,336
4 Inter fund transfers between governmental funds are reported on Statement D but must be eliminated on Statement B:		
Operating transfers in	1,875,553	
Operating transfers out	<u>-1,875,553</u>	-
5 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as a reduction in an already established liability account on in the government-wide financial statements and therefore must not be shown as current year activity:		
Bonds, notes, and capital leases payable	1,084,056	
Accrued compensated balances	-37,154	
Estimated liability for post closure landfill care	<u>11,200</u>	1,058,102
6 Estimated accounts receivable for State long-term liability reimbursements and delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on the government-wide financial statements and therefore must not be shown as current year activity:		
Long-term account receivable due from the State for long-term liability reimbursement		
Prior year recorded balance	-1,143,496	
Current year recorded balance	691,979	
Prior year recorded delinquent interest and lien receivable balance	-132,545	
Current year recorded delinquent interest and lien receivable balance	<u>132,820</u>	-451,242

Change in net assets of governmental activities as shown on Statement B \$ 447,793

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2009

	Original budget	Budget revisions	Final budget	Actual	Variance
Revenues					
Property tax revenues, interest and liens	\$ 13,704,162	\$ -	\$ 13,704,162	\$ 13,795,003	\$ 90,841
Intergovernmental - education	6,278,853	-	6,278,853	6,163,231	-115,622
Intergovernmental - tax relief	89,391	-	89,391	115,642	26,251
Intergovernmental - other	217,967	-	217,967	178,867	-39,100
Tuition	1,807,060	-	1,807,060	1,792,461	-14,599
Charges for services	331,500	-	331,500	281,076	-50,424
Interest and dividends	75,000	-	75,000	43,657	-31,343
Miscellaneous	68,400	-	68,400	60,905	-7,495
Total revenues	22,572,333	-	22,572,333	22,430,842	-141,491
Expenditures					
General government:					
Legal counsel	20,000	16,522	36,522	36,522	-
Selectmen	110,682	4,062	114,744	114,744	-
Elections	30,000	-	30,000	25,616	4,384
Probate court	3,234	-	3,234	1,919	1,315
Board of finance	2,000	-	2,000	749	1,251
Treasurer	66,800	9,768	76,568	76,568	-
Tax collector	63,872	-	63,872	58,736	5,136
Board of appeals	2,100	-	2,100	403	1,697
Town clerk	83,000	-	83,000	79,813	3,187
Assessor	68,473	-	68,473	68,235	238
Auditor	11,750	296	12,046	12,046	-
Town report	1,750	-	1,750	1,049	701
Computer service	71,000	261	71,261	71,261	-
Town hall	61,000	-	61,000	55,399	5,601
Insurance	138,700	19,995	158,695	158,695	-
	734,361	50,904	785,265	761,755	23,510
Public safety:					
Resident trooper	100,940	-	100,940	97,643	3,297
Constables	87,000	-	87,000	86,791	209
Fire marshall	16,000	-	16,000	13,558	2,442
Burning official	2,300	-	2,300	1,382	918
Building department	46,940	-	46,940	44,217	2,723
Fire safety complex	31,000	4,345	35,345	35,345	-
Emergency management	5,700	331	6,031	6,031	-
Tree warden	175	-	175	105	70
	290,055	4,676	294,731	285,072	9,659
Public works:					
Department of public works	617,000	4,942	621,942	621,942	-
Buildings and grounds	96,000	-	96,000	84,672	11,328
Snow removal	125,000	9,020	134,020	134,020	-
Street lights	12,150	-	12,150	11,083	1,067
Solid waste facility	200,000	-	200,000	193,780	6,220
Cemetery commission	12,850	-	12,850	12,850	-
Water pollution control	3,000	-	3,000	64	2,936
	1,066,000	13,962	1,079,962	1,058,411	21,551
Health & social:					
Officer and inspection	24,700	-	24,700	16,366	8,334
Public health nurse	1,000	-	1,000	1,000	-
Human services	18,000	-	18,000	16,028	1,972

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2009

	Original budget	Budget revisions	Final budget	Actual	Variance
Health & social (continued):					
Paramedic program	\$ 33,000	\$ 2,490	\$ 35,490	\$ 35,490	\$ -
United services	4,000	-	4,000	4,000	-
Switch board	38,000	-	38,000	38,000	-
School prizes	7,500	315	7,815	7,815	-
Special events	1,000	-	1,000	875	125
Commission on aging	11,000	-	11,000	10,417	583
Senior center operations	5,000	20,000	25,000	13,336	11,664
	143,200	22,805	166,005	143,327	22,678
Community preservation:					
Planning and zoning	113,488	-	113,488	107,664	5,824
Zoning board of appeals	5,600	-	5,600	1,433	4,167
Economic development commission	2,000	-	2,000	750	1,250
Flood and erosion	30	-	30	16	14
Inland wetlands	5,000	-	5,000	2,310	2,690
Conservation committee	250	5	255	255	-
	126,368	5	126,373	112,428	13,945
Education	16,605,520	-	16,605,520	16,383,127	222,393
Unclassified and program:					
Social security	87,510	-	87,510	82,161	5,349
Medical life insurance	234,847	-	234,847	183,477	51,370
Pension plan	70,492	-	70,492	65,364	5,128
Unemployment compensation	10,000	-	10,000	36,972	-26,972
Contingency	120,000	-76,539	43,461	-	43,461
	522,849	-76,539	446,310	367,974	78,336
Debt service:					
Principal	1,069,447	-	1,069,447	1,069,446	1
Interest	286,431	-	286,431	286,431	-
	1,355,878	-	1,355,878	1,355,877	1
Total expenditures	20,844,231	15,813	20,860,044	20,467,971	392,073
Excess of revenues over (under) expenditures	1,728,102	-15,813	1,712,289	1,962,871	250,582
Other financing sources (uses)					
Utilization of un-designated fund balance	-	25,143	25,143	-	-25,143
Operating transfers in	8,800	-	8,800	9,717	917
Operating transfers out	-1,736,902	-9,330	-1,746,232	-1,746,231	1
Total other financing sources (uses)	-1,728,102	15,813	-1,712,289	-1,736,514	-24,225
Net change in fund balance	-	-	-	226,357	226,357
Non-budgeted State on behalf revenue				1,293,341	
Non-budgeted State on behalf expenditure				-1,293,341	
Fund Balance - July 1				3,531,319	
Fund Balance - June 30				<u>\$ 3,757,676</u>	

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Statement of fiduciary assets and liabilities -
Agency funds
June 30, 2009

Assets

Cash	\$ 120,602
Investments	-
Receivables (net of allowance)	-
Due from other funds	-
	<hr/>
Total assets	<u><u>\$ 120,602</u></u>

Liabilities

Due to student groups	\$ 107,471
Due to other groups	13,131
Due to other governments	-
	<hr/>
Total liabilities	<u><u>\$ 120,602</u></u>

See the accompanying notes to the basic financial statements.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

The Town of Lebanon, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. The Town also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The basic financial statements of the Town consist of government-wide financial statements and individual fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

A. Reporting entity

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Lebanon Volunteer Fire Department meets the definition of a component unit due to its fiscal dependence on the Town and the nature and significance of their relationship. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Department to fund a portion of its operations. During the current fiscal year this amount was appropriated for the fire fighting operations of the Department. Although this amount was labeled as being appropriated for the fire fighting operations of the Department, once the amount has been received it may be physically used for any purpose the Department deems necessary for its operations as a whole. Though the Town does not directly have the authority to approve or modify the budget of the Department, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis. In addition, the fire safety complex, fire trucks and ambulances used by the Department are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Department could not function in its current capacity without this assistance. The general fund of this component unit has been treated as a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement No. 29. The financial information of the Department has been included in the government-wide statement of net assets and statement of activities. The financial information of the Department has been included as a non-major special revenue fund in the fund financial statements of the Town.

The Department also provides ambulance services for which it receives ambulance billing revenue. This revenue is classified as "charges for services" revenue in the financial statements. This revenue is used by the Department to fund its ambulance services. A portion of this ambulance billing revenue is associated with ALS services for which the Town presently has an agreement with and pays Windham Hospital Paramedics. The Department is of the belief that the portion of their ambulance billing revenue that relates to these ALS services should be returned to the general fund of the Town to help offset the amount paid to Windham Hospital Paramedics. The Department returned \$19,230 to the Town during the current fiscal year. This amount is shown as an operating transfer in within the capital and non-recurring fund and as an operating transfer out within the fire department special revenue fund. The Department also receives memorial and trust funds as designated by the individual donor. These funds have been shown separately as individual special revenue funds in the same manner in which Town memorial and trust funds are shown. The Hinckley and Bender memorial funds have been internally designated by the Department to be used for items associated with the fire safety complex addition and therefore portions of their accumulated balances have been transferred into the fire departments general fund. The memorial fund trust is to be used for memorial type activities.

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B. Government-wide financial statements

1. Basis of presentation

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government and discretely presented component units (if present) as well as the governmental and business type (if present) activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town. Different types of fiduciary activities and funds are pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds.

The statement of net assets presents the financial position of the governmental and business type (if present) activities of the primary government of the Town and discretely presented component units (if present) at the end of the fiscal year. This statement reports the assets, liabilities, and net assets of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net asset balance of the Town consists of the invested in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net assets are present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business type activities of the primary government of the Town and discretely presented component units (if present) of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they were levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated amongst the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal transactions between individual funds within the governmental and business type activities are eliminated in this statement. These internal transactions are also known as operating transfers in and out and are shown in the fund financial statements as such.

2. Measurement focus and basis of accounting

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting is used for both the governmental and business type (if present) activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when they are earned and expenses and the related liabilities are recognized when they are incurred. Revenues, expenses, gains, losses, assets, and liabilities resulting from non exchange like transactions are recognized in accordance with a number of specific GASB Statement No.'s including but not limited to 24, 33, 34, and 36.

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C. Fund financial statements

1. Basis of presentation

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net assets, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net assets. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds, and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental fund categories used by the Town include the general fund, special revenue funds, capital project funds, and permanent funds. The use and purpose of these individual governmental fund types are as follows.

- a. General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be reported in another fund.
- b. Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other government or for major capital projects) that are legally restricted to expenditure for specified purposes. Resources restricted to expenditure for purposes normally financed from the general fund are accounted for through the general fund providing that any applicable legal requirements can be appropriately satisfied. The general fund of all blended component units are reported as individual special revenue funds.
- c. Capital project funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or additions and the accumulation of funds for these purposes.
- d. Permanent funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and which benefit its citizens.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, liabilities, and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds is segregated between reserved and unreserved amounts. All reserved fund balances must be described in sufficient detail to disclose the purpose of the reservation. All unreserved fund balances are shown by the individual fund type in which they are a part of whether they are major or non-major funds. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net assets balance of the governmental activities of the Town as shown on the government-wide statement of net assets.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net assets balance of the governmental activities of the Town as shown on the government-wide statement of activities.

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The budgetary comparison schedule is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This schedule shows the original budget as voted on and appropriated, the changes made to each individual departmental item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers.

The statement of fiduciary net assets shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net assets shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net assets. Given the type of the fiduciary funds of the Town (agency funds), this statement of changes in fiduciary net assets is not required for the current fiscal year.

2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town.

The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

D. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town.

E. Investments

In accordance with GASB Statement No. 31, it is the Town's policy to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have other types of investments than those authorized by the State but they represent assets which have been donated to the Town.

F. Receivables

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts (estimated to be zero). Fund financial statement accounts receivable balances include property tax principle amounts, intergovernmental amounts due on grant and other miscellaneous agreements, and other receivable amounts which consist primarily of school tuition and amounts due from State grant holding agents (Reich & Tang). Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the property tax principle amounts and planned State construction principle and interest reimbursements to be made to the Town. These State reimbursements are broken down between current amounts expected to be reimbursed within one year and long-term amounts expected to be reimbursed beyond one year. The Town will book an unbilled receivable in situations when a grant or contract has been earned in part or in whole but which has not yet been fully received in cash for the amount earned. The notes receivable balance is related to a CDBG grant and loan fund program received and entered into by the Town which is more fully described in note 9 on page 31.

G. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold.

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H. Revenue recognition - property taxes

The Town's property tax for the current year was levied June 12, 2008 on the grand list as of October 1, 2007, for the real, motor vehicle and personal property located in the Town. Taxes were due on July 1, 2008, and January 1, 2009. Interest on unpaid taxes commenced on August 1, 2008, and February 1, 2009, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principle property tax assessment with an adjustment being made for the amount of principle expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principle assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

I. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as an expenditure when used.

J. Inter fund receivables and payables

Inter fund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to budgeted transfers which were not physically made but need to be recorded to keep track of the individual fund balances and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. Expenditures for one fund paid for out of another fund are also included in these balances. The budgeted transfers referred to above are shown as operating transfers in and out on the statement of revenues, expenditures, and changes in fund balances. The balance of inter fund receivables and inter fund payables as shown on the balance sheet must equal. These inter fund balances have been eliminated in the government-wide statement of net assets and the statement of activities.

K. Prepaid items

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. In accordance with GASB Statement No. 6, expenditures relatively minor in nature for insurances and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature to include aggregated similar items not exceeding \$5,000.

L. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of \$5,000 for all capital asset with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net assets (Statement A page 10).

All individual capital assets of the Town are depreciated over their estimated useful life using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful life for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Land and other inexhaustible capital assets are not depreciated. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense

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is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities and is added to the individual function or department as described above.

M. Deferred revenue

On the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as deferred revenue. On the fund financial statements, property taxes receivable not expected to be received within the first 60 days after the fiscal year end (i.e. not measurable and available) as well as property tax revenue which has been received in advance of the fiscal year to which they apply and other miscellaneous items are recorded as deferred revenue. Codification of Governmental Accounting and Financial Reporting Standards section 1600.114 states that in regard to the modified accrual basis of accounting, material revenues received prior to the normal time of receipt should be recorded as deferred revenue.

N. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for) which is consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Finance may approve budget transfers within and between expenditure classes and individual departments. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

- a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
- b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
- c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on June 10, 2008.

O. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Lebanon does utilize encumbrance accounting. Reservation of fund balance at June 30, 2009 was \$0 for the general fund as it relates to the Board of Education, and \$0 for the non-major special revenue funds as they relate to the State and Federal grant programs of the Board of Education.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Q. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria.

- a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
- b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
- c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

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For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

- d. Town construction projects - This fund is used to account for the financial resources received and expended for four individual town projects. Construction at the elementary and middle schools are being financed by the State and the Town through annual appropriations and bonding. The fire safety complex was financed through annual appropriations and bonding. Combining schedules of financial information for the individual projects making up this fund can be found on Sub-Schedule A on page 55.
- e. Capital and non-recurring fund - This fund is used to account for financial resources to be used by the Town to purchase or construct capital assets or projects. The capital assets purchased through this fund are usually more costly than those purchased and accounted for within other funds, functions, and departments.
- f. Investment trusts fund - This fund is used to account for several trusts given to the town by Hugh Trumbull Adams with the revenue generated by these trusts to be used to help fund the operations of the town library, the Adams community center, and the Jonathan Trumbull Jr. house. Combining schedules of financial information for the individual trust fund designations making up this fund can be found on Sub-Schedule B on page 56.

R. Unclassified and program expenditures

The Town uses an expenditure category labeled unclassified and program to account for types of expenditures that they do not feel truly fall into the traditional expenditure categories of a governmental unit. The general fund classifies Town wide fringe benefits into this unclassified category. The expenditures of the Town's housing rehabilitation program and revolving loan fund are put into this category as well as other miscellaneous programs that do not fall into any of the traditional categories.

Note 2 - Cash and investments

A. Cash

Custodial credit risk - This is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. The Town's bank balances are categorized to give an indication of the level of credit risk (estimated FDIC coverage by ownership) of institutional failure (not market risk) assumed by the Town at year-end. The difference between the carrying amount and the bank balances is due to timing differences in relation to deposits in transit and outstanding checks written by the Town but not yet cleared by the bank. The three categories of credit risk are: 1) cash insured or collateralized with securities held by the Town or by its agent in the Town's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities that are held by the pledging financial institution, or by its trust department or agent but not in the Town's name.

	Carrying Amount	Bank Balance	Category		
			#1	#2	#3
Cash balances	<u>\$ 5,606,482</u>	<u>\$ 5,966,937</u>	<u>\$ 1,993,526</u>	<u>\$ -</u>	<u>\$ 3,973,411</u>
	\$ 5,485,880	Balance sheet - cash			
	120,602	Statement of fiduciary assets and liabilities - cash			
	<u>\$ 5,606,482</u>				
	\$ 4,761,255	Statement of net assets - cash			
	724,625	Statement of net assets - restricted cash			
	<u>\$ 5,485,880</u>				

All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

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B. Investments

The Town's investments are categorized to give an indication of the level of credit risk (estimated SIPC coverage) of institutional failure (not market risk) assumed by the Town at year-end. The three categories of credit risk are: 1) insured or registered investments or securities held by the Town or its agent in the Town's name, 2) uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name, and 3) uninsured and unregistered investments with securities held by the counterparty or by its trust department or agent but not in the Town's name.

Investment type	Fair Value	Category		
		#1	#2	#3
Repurchase agreement	\$ 205,891	\$ -	\$ 205,891	\$ -
STIF account	24,735	24,735	-	-
Cash & accrued interest	1,908	1,908	-	-
Fixed income	121,148	121,148	-	-
Equities	1,149,890	1,043,617	-	106,273
	1,503,572	\$ 1,191,408	\$ 205,891	\$ 106,273
Open-ended mutual funds	87,150			
	<u>\$ 1,590,722</u>			
	\$ 230,626	Statement of net assets - investments		
	1,360,096	Statement of net assets - restricted investments		
	<u>\$ 1,590,722</u>			

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. The State Short-Term Investment Fund (STIF) account of which the Town is invested was rated as AAA by Standard and Poor's. Other fixed income, equities and stocks, and mutual funds are un-rated.

Note 3 - Restricted cash and investments - government-wide financial statements only

The Town breaks cash and investments down between a regular current asset and an other asset restricted on the government-wide statement of net assets. The other asset restricted investment amount is made up of the balance of the investments which have been donated to the Town and whose interest only is used to partially fund the operations of the Towns library, community center, and the Jonathan Trumbull Jr. house. This investments balance can also be seen on the fund financial statements balance sheet as the major fund labeled the investment trust fund. The other assets restricted cash amount is made up of cash balances which are restricted for a specific purpose in subsequent fiscal years. The current year amount shown on the government-wide statement of net assets can be broken down as follows.

Community development projects	\$ 25,132
State, federal, and other grant program balances deferred	112,109
Principle balance of non-major permanent funds	313,835
Restricted donations made to the Town	273,549
	<u>\$ 724,625</u>

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Note 4 - Inter fund receivables, payables, and transfers - fund financial statements only

The Town maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each funds position in this cash pool. These balances are not expected to be repaid due to the fact that they simply represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivable and payables by individual major fund and non-major fund groups in the aggregate. Separate balances due shown up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types and groups may have either a due to or a due from balance. The Town believes it is more beneficial to shown this information by category rather than netted out.

	Receivable due from	Payable due to
General fund:		
Town construction projects	\$ 938,252	\$ 15,786
Capital and non-recurring fund	-	413,550
Non-major special revenue funds	443,487	580,877
Non-major capital project funds	81,683	22,754
Non-major permanent funds	13,282	-
	<u>\$ 1,476,704</u>	<u>\$ 1,032,967</u>
Town construction projects		
General fund	<u>\$ 15,786</u>	<u>\$ 938,252</u>
Capital and non-recurring fund:		
General fund	<u>\$ 413,550</u>	<u>\$ -</u>

Operating transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances and the transfers of income earned from one individual fund to another in accordance with the requirements of the individual funds. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). The following information represents inter fund transfers by individual major fund and non-major fund groups in the aggregate:

	Operating transfers in	Operating transfers out
General fund:		
Town construction projects	\$ -	\$ -320,600
Capital and non-recurring fund	-	-976,302
Non-major special revenue funds	-	-440,000
Non-major permanent funds	9,717	-
Non-major capital project funds	-	-9,329
	<u>\$ 9,717</u>	<u>\$ -1,746,231</u>
Town construction projects:		
General fund	\$ 320,600	\$ -
Non-major special revenue funds	25,440	-
	<u>\$ 346,040</u>	<u>\$ -</u>
Capital and non-recurring fund:		
General fund	\$ 976,302	\$ -
Non-major special revenue funds	19,230	-19,926
	<u>\$ 995,532</u>	<u>\$ -19,926</u>
Investment trust funds:		
Non-major special revenue funds	<u>\$ -</u>	<u>\$ -53,947</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2009. As shown below, the capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly longer period of time than other capital assets. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Capital assets and the accounting for such assets are more fully described in Note L of the financial statements starting on page 23.

	Balance 07/01/08	Additions	Retirements	Balance 06/30/09
Governmental activities:				
Land and improvements	\$ 1,896,289	\$ -	\$ -	\$ 1,896,289
Buildings and improvements	33,425,262	2,323,107	-	35,748,369
Vehicles	3,275,077	55,775	-	3,330,852
Equipment	619,303	54,343	-	673,646
Infrastructure	22,273,079	250,468	-	22,523,547
Construction in progress	1,884,521	509,260	-1,182,120	1,211,661
Total at historical cost	<u>63,373,531</u>	<u>3,192,953</u>	<u>-1,182,120</u>	<u>65,384,364</u>
Less accumulated depreciation for:				
Building and improvements	-8,720,544	-860,230	-	-9,580,774
Vehicles	-1,862,101	-147,574	-	-2,009,675
Equipment	-373,598	-73,916	-	-447,514
Infrastructure	-16,261,983	-376,147	-	-16,638,130
Total accumulated depreciation	<u>-27,218,226</u>	<u>-1,457,867</u>	<u>-</u>	<u>-28,676,093</u>
 Total capital assets (net)	 <u><u>\$ 36,155,305</u></u>	 <u><u>\$ 1,735,086</u></u>	 <u><u>\$ -1,182,120</u></u>	 <u><u>\$ 36,708,271</u></u>

Depreciation expense by function or department:

General government	\$ -10,178
Public safety	-152,099
Public works	-60,830
Health, recreation, and social	-31,925
Education	-825,227
Unclassified	-1,460
General infrastructure depreciation	-376,148
	<u><u>\$ -1,457,867</u></u>

Fixed asset additions by function or department:

Capital outlay (net)	<u><u>\$ 2,010,833</u></u>
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Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 6 - Long-term liabilities - government-wide financial statements only

Governmental activities:	Balance 07/1/08	Additions	Reductions	Balance 06/30/09	Amount due within one year
Outstanding payables:					
\$5,750,000 bond payable	\$ 4,980,000	\$ -	\$ -385,000	\$ 4,595,000	\$ 385,000
\$4,500,000 bond payable	900,000	-	-225,000	675,000	225,000
\$486,650 bond payable	292,969	-	-24,446	268,523	25,698
\$3,955,000 bond payable	1,055,000	-	-435,000	620,000	420,000
\$84,609 capital leases payable	20,895	-	-14,610	6,285	6,285
Total outstanding payables	<u>7,248,864</u>	<u>-</u>	<u>-1,084,056</u>	<u>6,164,808</u>	<u>1,061,983</u>
Other liabilities:					
Accrued comp. absences - school	64,729	25,380	-	90,109	
Accrued comp. absences - town	51,580	11,774	-	63,354	
Accrued landfill post-closure costs	134,831	-	-11,200	123,631	
Total other liabilities	<u>251,140</u>	<u>37,154</u>	<u>-11,200</u>	<u>277,094</u>	
Total long-term liabilities	<u>\$ 7,500,004</u>	<u>\$ 37,154</u>	<u>\$ -1,095,256</u>	<u>\$ 6,441,902</u>	<u>\$ 1,061,983</u>

The following is a summary of the terms, conditions, and ending balance as of June 30, 2009 of the outstanding long-term bonds and notes payable, and capital leases payable of the Town:

Bonds and notes payable

\$5,750,000 bond payable issued in August of 2005 to finance two school renovation projects and a fire safety complex project. Annual principal installments range from \$385,000 to \$380,000 through August of 2021. Interest at 3.80%.	\$ 4,595,000
\$4,500,000 bond payable issued in August of 1991 to finance the construction of schools. Annual principal installments are \$225,000 through August of 2011. Interest at 6.44%.	675,000
\$486,650 bond payable issued in February of 1998 to finance the purchase of property. Monthly payments are \$3,212 which includes interest at 5.00%. The bonds are due in February of 2018.	268,523
\$3,955,000 bond payable issued in March of 2002 in a current refunding to re-finance two previously issued school construction bonds. Annual principal installments range from \$200,000 to \$515,000 through September of 2010. Interest from 3.00% to 5.00%.	<u>620,000</u>
	<u>6,158,523</u>

Capital leases payable

\$84,609 capital leases payable dated in January of 2003 and commencing in July of 2003 to finance the purchase of a new telephone system by the school department. There are two individual leases making up the total for this project with each lease being payable through November of 2009. Monthly payments under these two individual lease agreements are \$1,031, and \$369 which include interest at 6.15% and an applicable property tax assessment amount.	<u>6,285</u>
	<u>\$ 6,164,808</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

The following is a summary of the total outstanding bonds and notes payable principal and interest requirements for the above referenced bonds and notes payable for the fiscal years ending June 30,:

	Principal	Interest	Total		Principal	Interest	Total
2010	\$ 1,055,698	\$ 236,443	\$ 1,292,141	2016	\$ 419,666	\$ 83,389	\$ 503,055
2011	837,012	190,836	1,027,848	2017	416,440	67,080	483,520
2012	638,395	155,661	794,056	2018	402,112	50,908	453,020
2013	414,847	132,098	546,945	2019	380,000	36,100	416,100
2014	416,374	115,941	532,315	2020	380,000	21,660	401,660
2015	417,979	99,706	517,685	2021	380,000	7,220	387,220
					<u>6,158,523</u>	<u>1,197,042</u>	<u>7,355,565</u>

The capital leases of the Town are for a new telephone system for the school department. The telephone system has been classified as an equipment type capital asset on the government-wide statement of net assets. The gross amount of the telephone system recorded as a capital asset is \$84,609 with the accumulated amortization (depreciation) being \$84,609 as of June 30, 2009. The following schedule represents the future minimum lease payments under these leases as of June 30, 2009 in the aggregate and for each of the five subsequent fiscal years ending June 30, reduced by the amount representing interest to determine the net present value of these payments.

2009	\$ 6,928
2010	-
2011	-
2012	-
2013	-
Total minimum lease payments	<u>6,928</u>
Less: amount representing interest	-96
Less: amount representing taxes	-547
Net present value of future minimum lease payments	<u>\$ 6,285</u>

A. Accrued compensated absences

Employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town accumulated balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. School accumulated vacation balances are also paid when employees leave. However, school accumulated sick balances are only paid when an employee retires. Therefore, the probability of these school accumulated vacation benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net assets. The probability of school accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. As of June 30, 2009, school accumulated sick balances totaled approximately \$386,299. A current portion of these liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

B. Accrued landfill post-closure costs

The Town of Lebanon municipal solid waste landfill was closed in October of 1993 due to new regulations imposed by the United States Environmental Protection Agency which the town was unable to meet. The cost of capping the landfill was paid for out of the Town's annual operating budget. The post-closure monitoring, which will continue for up to 30 years, will also be paid for out of the Town's annual operating budget. The Town set up a long-term liability to account for these funds being set aside for this post-closure care. In accordance with GAAP, the expense for this liability was to be recorded in each period based on the landfill capacity used to date. As of June 30, 2009 the amount outstanding for post-closure monitoring was \$123,631 which is shown as a long-term liability on the government-wide statement of net assets. A current portion of this liability has not been estimated due to the fact that the price of the upcoming fiscal year monitoring, year end report and other possibly unforeseen costs is unknown.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 7 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The following individual non-major funds had deficit fund balances as of June 30, 2009. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables. The dog fund deficit fund balance is expected to be covered in subsequent fiscal years by Town appropriation, and/or program revenues. The LES and LMS building projects are being jointly financed by the State and the Town. The current deficit in these funds represents the Town's estimated portion to date which will be appropriated in the upcoming fiscal years less any additional amounts received from the State. Each project was submitted to the state as being complete in September of 2009 and will now be audited by the state which should be completed within one year from the date of submission. The Town expects the final reimbursement received from the state to cover the current and remaining deficit in each project as shown below. The remainder of these deficit fund balances represent State, Federal and other award programs. The deficit fund balances are the result of grant funds being spent either before they can or have been billed for.

Non-major special revenue funds:		Non-major capital project funds:	
Dog fund	\$ -11,887	Town bridge projects	\$ -71,623
Agriculture viability grant	-3,663	Major funds:	
Homeland security grant	-2,821	Town construction projects	
CL&P substation grant	-135	LES building project	-653,406
School vo-ag equipment grant	-27,749	LMS building project	-259,846
School Idea part B section 619 grant	-8,640		-913,252
	<u>-54,895</u>		
			<u>\$ -1,039,770</u>

Note 8 - Net asset balances - invested in capital assets

The invested in capital assets, net of related debt net asset balance on the government-wide statement of net assets consisted of the following items as of June 30, 2009.

	Governmental activities
Recorded cost of capital assets	\$ 65,384,364
Less accumulated depreciation	-28,676,093
Book value of capital assets	36,708,271
Less capital assets related debt	-6,164,808
Total invested in capital assets, net of related debt	<u>\$ 30,543,463</u>

Note 9 - Net asset and fund balances - restricted and reserved

The Town received a housing rehabilitation CDBG grant from the U.S. Department of Housing and Urban Development. The purpose of the grant is to provide assistance to low to moderate income residents for addressing housing needs with a priority being placed on public health and safety code violations and to establish a permanent loan fund using the proceeds described below. Each resident receiving benefits under this grant is required to sign a deferred partially forgivable promissory note. This note must be repaid to the Town as prescribed in the agreement with the proceeds being deposited into this loan fund and permanently used by the Town for other similar programs. Program income including interest income earned on repaid funds before the funds are reused must be deposited into this loan fund. The principal amount of the loan will automatically be reduced by 10% on each consecutive anniversary of the note agreement for a maximum of 5 years or 50% of the original note balance. This forgivable portion will be shown as a bad debt item and reduce the restricted net asset balance in the government-wide financial statements and the reserved fund balance in the fund financial statements. As of June 30, 2009, the following balances represent the loan fund described above.

Cash and restricted cash	\$ 25,132
Notes receivable (net of allowance)	436,800
Current liabilities	-6,275
Restricted net assets and reserved fund balance	-455,657
	<u>\$ -</u>

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 10 - Employees' retirement plans

Municipal Employees' Retirement System - Fund B

A. Plan description

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Municipal Employees' Retirement System, Hartford, Connecticut 04269.

B. Funding policy

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by Social Security are required to contribute 5% of all earnings. Each covered municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required contribution percentages for the fiscal year ending June 30, 2009 for the Town is as follows.

	Police and fire employees	General employees
With social security	8.25%	7.00%
Without social security	8.25%	7.00%

C. Contributions required and contributions made

The Town's total actual contributions for covered employees for the years ending June 30, 2009, 2008, and 2007 were \$65,924, \$67,834, and \$65,498, respectively. These actual contributions represent 100% of the contributions required to be made. These contributions are more fully broken down as follows:

	2009	2008	2007
Contributions	\$ 49,638	\$ 51,368	\$ 49,617
Fees	2,430	2,610	2,025
Amortization	13,856	13,856	13,856
	<u>\$ 65,924</u>	<u>\$ 67,834</u>	<u>\$ 65,498</u>

D. Teachers

The Lebanon Board of Education participates in the Connecticut Teacher's Retirement Fund through the State of Connecticut Retirement Commission, for coverage of all certified teachers. The certified faculty and administrative personnel of the Board participate in a contributory defined benefit plan established under Chapter 167a of the State of Connecticut General Statutes, which is administered by the Connecticut State Teacher's Retirement Board. All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. Teachers are fully vested in their contribution up to 5% of their earnings at all times. After five years of service the teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the defined benefit plan which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The Town is not required to contribute to this plan.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 11 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Lebanon School Department teachers for the fiscal year ended June 30, 2009. The pension contributions made by the State are determined on an actuarial reserve basis as described in sections 10-1831 and 10-183z, C.G.S. For the fiscal year ended June 30, 2009, the Lebanon School Department's total covered payroll was approximately \$8,376,562 and the applicable on-behalf payment percentage for the period was 15.44%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of \$1,293,341 and an education expenditure of \$1,293,341 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of \$1,293,341 and an expense in the governmental activities section under a separate education function line item of \$1,293,341 have been included on Statement B of the government-wide financial statements. There is no effect on the net asset balance at the end of the year. The above State funding percentage of 15.44% compares to 74.00% during the prior fiscal year. The above State on-behalf payment of \$1,293,341 compares to \$6,052,936 during the prior fiscal year.

Note 12 - Commitments and contingencies - Operating leases

The Town and more specifically the school department of the Town lease a number of photocopiers under a lease agreement which is classified as an operating lease. For this lease to be classified as a capital lease it must meet at least one of the following four criteria: 1) The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreements, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. This lease agreement is for a period of five years through December of 2013. The monthly payment for this lease agreement is \$4,015 which equals annual payments of \$48,180. The Town and the school department have a number of other operating type lease agreements which are not material in nature and therefore have not been included here.

Note 13 - Risk management, commitments and contingencies - other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years.

The Town Clerk received notice pursuant to Connecticut general statute §7-465 of a potential action against the town for injuries received as a result of dog bites by dogs owned within the Town of Lebanon. A civil suit has not yet, as of the end of November 2009, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend the case. The Town Clerk received notice pursuant to General Statutes §7-101a, 7-308 and 7-465 reciting the intention to institute a suit against the Town of Lebanon, the Lebanon Fire Department and others as it relates to an incident at Amston Lake in October 2005. A civil suit has not yet, as of the end of November 2009, been instituted against the Town. This matter has been referred to the Town's insurance company for defense in the event that a civil action is instituted against the Town. The Town denies any liability in this matter and intends to vigorously defend the case.

The Board of Education of the Town settled a workers compensation claim with a former employee. In accordance with the settlement, the Board is obligated to pay 75% towards the health insurance premiums of the claimant not to exceed \$6,000 per year until the claimant reaches the age of 65 or becomes deceased. The claimant is currently 50 years old. The expenditures in relation to this settlement will be charged as they are incurred on an annual basis. No liability will be accrued by the Town in either the fund or government-wide financial statements due to the uncertainty of the duration of the claim.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

The Town and the Board of Education have entered into a number of maintenance and service agreements which extend beyond the end of the current fiscal year. The Board of Education has a facility management systems, temperature control and system support services contract which encompasses each of the three schools which is for a one year period beginning July 1, 2009. The Town has a cleaning and maintenance contract which encompasses a number of Town buildings and facilities. The Town also has a lawn and cemetery care maintenance contract. Specific information on these two maintenance agreements can be found in the office of the first selectman. The Town and Board of Education also have a number of different construction contracts for various projects at various stages of completion. These construction contracts cover such activities as the school construction projects, the senior center construction project and bridge construction projects. The Town and Board of Education also have a number of smaller maintenance and service agreements. These agreements are considered individually immaterial. Additional information on these construction contracts and smaller agreements can be found at the administrative offices of both the Town and the Board of Education.

The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2009 may be impaired. In the opinion of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked.

The carrying amount of the Town's cash balances as of June 30, 2009 totaled \$5,606,482 with the related balances being carried by the various financial institutions totaling \$5,966,937. The difference between the two amounts being represented by timing differences with outstanding checks and deposits in transit. The deposits of the Town are insured by the various financial institutions through the Federal Deposit Insurance Corporation (FDIC). FDIC provides insurance on the Town's deposits in the amount of \$250,000 for its cumulative accounts at each of the various financial institutions. This coverage is based on the ownership type of the specific accounts. For the purposes of this disclosure, the cash balances of the Town have been segregated into three ownership groups. The Board of Education, the volunteer fire department, and the Town. It is conceivable that the individual financial institution could determine that the deposits of the Town should either be divided into more or less ownership groups. Therefore, the information contained in this disclosure and in note 2 is based on the above mentioned ownership groups. An increase or decrease could effect the amount of Town cash balances that are considered to be insured. In addition, a financial institution for which the Town does a majority of its business is currently participating in the FDIC's Temporary Liquidity Guarantee Program which consists of the Transaction Account Guarantee program. This program provides the Town as a customer of this financial institution with unlimited FDIC coverage on all non-interest bearing transaction deposit accounts. This additional coverage runs through December 31, 2009. Due to the use of two main financial institutions for the majority of the Town's cash, the cumulative amounts at this financial institution exceed the amount covered by FDIC. As a result, these excess balances represent uninsured cash balances and risks to the Town in the event of failure by these financial institutions. Though the failure of these financial institutions is unlikely, the risk to the Town is material. As of June 30, 2009, approximately \$3,973,411 of these financial institution balances were uninsured representing approximately 67% of the Town's total cash balances being carried by banks.

Note 14 - Restatements and reclassifications

A restatement was made affecting the fund financial statements as of June 30, 2008. Two approved transfers from the general fund to the capital non-recurring major fund in the amount of \$101,140 were approved subsequent to the end of the prior fiscal year relating to the prior fiscal year. This amount was meant to be taken from the general fund balance and transferred to the capital non-recurring fund balance with an effective date of June 30, 2008. These approved transfers were not made available during the prior fiscal year audit and therefore were not reflected in the prior fiscal year audit. This restatement reduced the general fund balance from \$3,632,459 to \$3,531,319 and increased the capital non-recurring fund balance from \$789,435 to \$890,575 as of June 30, 2008 respectively. In addition, the beginning government wide net assets balance was adjusted up by \$2 for rounding.

Town of Lebanon, Connecticut
Notes to Financial Statements
June 30, 2009

Note 15 - Other Post Employment Benefits - OPEB

Government accounting standards board (GASB) Statement No.'s 43 and 45 relate to the accounting and reporting for post employment benefits other than pension benefits. The Town is required to implement this standard for the fiscal year ending after December 15, 2007 which would be the fiscal year beginning July 1, 2008. The objective of Statement No. 43 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). OPEB plans are plans that provide postemployment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits which are covered by this statement include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. Paragraph 9 of this statement tells us that OPEB arise from an exchange of salaries and benefits for employee services, and it is part of the compensation that employers offer for services received.

The Board of Education does provide a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the Schools. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference between the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy. The Town does not provide this benefit to retirees.

The Town was required to implement the above accounting standard in the current fiscal year ending June 30, 2009 financial statements as it relates to the Board of Education's implicit rate subsidy resulting from making health insurance coverage available to retirees. Through the correct implementation of this standard, an actuarial determination would have been made of items such as the actuarial accrued liability for these OPEB, the annual required contribution for the Town and other items by using a number of actuarial methods and assumptions. This actuarial determination was not made and therefore the above standard was not implemented by the Town as required and therefore has resulted in a qualification of the accompanying Independent Auditors' Report as found on pages 1 and 2.

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2009

	Non-major special revenue funds	Non-major capital project funds	Non-major permanent funds	Totals
Assets				
Cash	\$ 1,293,834	\$ 16,985	\$ 328,237	\$ 1,639,056
Investments	-	-	5,989	5,989
Accounts receivable (net)				
Intergovernmental	37,997	4,019	-	42,016
Other	442,057	23,078	-	465,135
Inventories	10,675	-	-	10,675
Due from other funds	581,996	22,754	-	604,750
Total assets	<u>2,366,559</u>	<u>66,836</u>	<u>334,226</u>	<u>2,767,621</u>
Liabilities				
Accounts payable	49,279	-	-	49,279
Deferred property tax revenue	-	23,078	-	23,078
Due to other funds	443,486	81,683	14,402	539,571
Total liabilities	<u>492,765</u>	<u>104,761</u>	<u>14,402</u>	<u>611,928</u>
Fund balance				
Reserved	466,332	-	318,874	785,206
Unreserved	1,407,462	-37,925	950	1,370,487
Total fund balance	<u>1,873,794</u>	<u>-37,925</u>	<u>319,824</u>	<u>2,155,693</u>
Total liabilities and fund balance	<u>\$ 2,366,559</u>	<u>\$ 66,836</u>	<u>\$ 334,226</u>	<u>\$ 2,767,621</u>
Revenues				
Intergovernmental	\$ 1,697,332	\$ 4,019	\$ -	\$ 1,701,351
Interest and dividends	11,530	-	10,311	21,841
Charges for services	524,703	-	-	524,703
Miscellaneous	381,063	7,045	-2,856	385,252
Total revenues	<u>2,614,628</u>	<u>11,064</u>	<u>7,455</u>	<u>2,633,147</u>
Expenditures				
Salary and wages	788,352	-	-	788,352
Program operating costs	1,898,717	9,329	-	1,908,046
Capital outlay	-	22,662	-	22,662
Miscellaneous	222,198	-	-	222,198
Total expenditures	<u>2,909,267</u>	<u>31,991</u>	<u>-</u>	<u>2,941,258</u>
Excess of revenues over (under) expenditures	<u>-294,639</u>	<u>-20,927</u>	<u>7,455</u>	<u>-308,111</u>
Other financing sources (uses)				
Operating transfers in	514,935	9,329	-	524,264
Operating transfers out	-45,230	-	-10,219	-55,449
Total other financing sources (uses)	<u>469,705</u>	<u>9,329</u>	<u>-10,219</u>	<u>468,815</u>
Net change in fund balance	175,066	-11,598	-2,764	160,704
Fund balance - July 1	<u>1,698,728</u>	<u>-26,327</u>	<u>322,588</u>	<u>1,994,989</u>
Fund balance - June 30	<u>\$ 1,873,794</u>	<u>\$ -37,925</u>	<u>\$ 319,824</u>	<u>\$ 2,155,693</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Trumbull donations fund	School lunch program	Lebanon public library	Lebanon fire dept & ambulance service	Housing rehab grant	Housing rehab grant
Assets						
Cash	\$ -	\$ 52,220	\$ 106,590	\$ 482,106	\$ -	\$ 100
Accounts receivable (net)						
Intergovernmental	-	19,482	-	-	-	-
Other	-	-	2,332	-	-	-
Inventories	-	10,675	-	-	-	-
Due from other funds	273,549	-	1,121	-	-	1,346
Total assets	273,549	82,377	110,043	482,106	-	1,446
Liabilities						
Accounts payable	-	2,996	8,488	7,248	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	24,319	71,621	-	-	-
Total liabilities	-	27,315	80,109	7,248	-	-
Fund balance						
Reserved	-	10,675	-	-	-	-
Unreserved	273,549	44,387	29,934	474,858	-	1,446
Total fund balance	273,549	55,062	29,934	474,858	-	1,446
Total liabilities and fund balance	\$ 273,549	\$ 82,377	\$ 110,043	\$ 482,106	\$ -	\$ 1,446
Revenues						
Intergovernmental - education	\$ -	\$ 111,732	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	2,332	-	107,000	17,000
Interest and dividends	-	-	-	9,047	-	-
Charges for services	-	299,890	-	154,970	-	-
Miscellaneous	-	5,759	17,337	50,735	-	-
Total revenues	-	417,381	19,669	214,752	107,000	17,000
Expenditures						
Salary and wages	-	235,146	130,412	-	-	-
Program operating costs	-	177,550	113,095	117,513	83,544	15,554
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	13,200	10,688	55,362	25,000	-
Total expenditures	-	425,896	254,195	172,875	108,544	15,554
Excess of revenues over (under) expenditures	-	-8,515	-234,526	41,877	-1,544	1,446
Other financing sources (uses)						
Operating transfers in	-	-	228,253	90,560	-	-
Operating transfers out	-25,440	-	-	-19,230	-	-
Total other financing sources (uses)	-25,440	-	228,253	71,330	-	-
Net change in fund balance	-25,440	-8,515	-6,273	113,207	-1,544	1,446
Fund balance - July 1	298,989	63,577	36,207	361,651	1,544	-
Fund balance - June 30	\$ 273,549	\$ 55,062	\$ 29,934	\$ 474,858	\$ -	\$ 1,446

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Housing rehab loan fund	Lebanon recreation commission	Jonathan Trumbull Jr. house	Dog fund	Adams community center	Historic document preservation
Assets						
Cash	\$ 25,132	\$ -	\$ 39,137	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	436,800	-	971	285	1,669	-
Inventories	-	-	-	-	-	-
Due from other funds	-	11,388	20,871	-	23,885	12,526
Total assets	461,932	11,388	60,979	285	25,554	12,526
Liabilities						
Accounts payable	-	1,140	1,208	250	113	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	6,275	-	-	11,922	-	-
Total liabilities	6,275	1,140	1,208	12,172	113	-
Fund balance						
Reserved	455,657	-	-	-	-	-
Unreserved	-	10,248	59,771	-11,887	25,441	12,526
Total fund balance	455,657	10,248	59,771	-11,887	25,441	12,526
Total liabilities and fund balance	\$ 461,932	\$ 11,388	\$ 60,979	\$ 285	\$ 25,554	\$ 12,526
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	7,000
Interest and dividends	-	-	236	-	-	-
Charges for services	-	34,948	-	2,929	-	3,156
Miscellaneous	177,092	987	1,046	633	2,715	-
Total revenues	177,092	35,935	1,282	3,562	2,715	10,156
Expenditures						
Salary and wages	-	27,919	5,012	19,012	-	-
Program operating costs	69,192	34,752	9,641	4,511	23,583	7,210
Capital outlay	-	-	-	-	-	-
Miscellaneous	6,415	3,025	1,913	303	2,030	-
Total expenditures	75,607	65,696	16,566	23,826	25,613	7,210
Excess of revenues over (under) expenditures	101,485	-29,761	-15,284	-20,264	-22,898	2,946
Other financing sources (uses)						
Operating transfers in	-	30,000	12,828	17,000	23,368	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	30,000	12,828	17,000	23,368	-
Net change in fund balance	101,485	239	-2,456	-3,264	470	2,946
Fund balance - July 1	354,172	10,009	62,227	-8,623	24,971	9,580
Fund balance - June 30	\$ 455,657	\$ 10,248	\$ 59,771	\$ -11,887	\$ 25,441	\$ 12,526

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Locip surcharge	Summer dance festival	Town improvement program	Warm hearts	Senior vans	Agriculture viability grant
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	19,990	9,205	38,265	16,083	20,575	566
Total assets	19,990	9,205	38,265	16,083	20,575	566
Liabilities						
Accounts payable	-	406	243	55	1,068	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	406	243	55	1,068	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	19,990	8,799	38,022	16,028	19,507	566
Total fund balance	19,990	8,799	38,022	16,028	19,507	566
Total liabilities and fund balance	\$ 19,990	\$ 9,205	\$ 38,265	\$ 16,083	\$ 20,575	\$ 566
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	4,737	-	-	-	3,102	-
Miscellaneous	-	9,377	-	8,872	3,500	-
Total revenues	4,737	9,377	-	8,872	6,602	-
Expenditures						
Salary and wages	-	-	-	-	34,566	-
Program operating costs	-	9,211	34,039	4,010	27,749	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	399	-
Total expenditures	-	9,211	34,039	4,010	62,714	-
Excess of revenues over (under) expenditures	4,737	166	-34,039	4,862	-56,112	-
Other financing sources (uses)						
Operating transfers in	-	-	38,000	-	55,000	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	38,000	-	55,000	-
Net change in fund balance	4,737	166	3,961	4,862	-1,112	-
Fund balance - July 1	15,253	8,633	34,061	11,166	20,619	566
Fund balance - June 30	\$ 19,990	\$ 8,799	\$ 38,022	\$ 16,028	\$ 19,507	\$ 566

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Agriculture viability grant	Agriculture viability grant	Agriculture viability grant	Homeland security grant	CL&P substation grant	Cemetery lots
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,830
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	41,559
Total assets	-	-	-	-	-	79,389
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	3,663	2,821	135	-
Total liabilities	-	-	3,663	2,821	135	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-3,663	-2,821	-135	79,389
Total fund balance	-	-	-3,663	-2,821	-135	79,389
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,389
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	16,190	38,100	-	2,965	-	-
Interest and dividends	-	-	-	-	-	229
Charges for services	-	-	-	-	-	2,850
Miscellaneous	-	-	-	6,768	-	-
Total revenues	16,190	38,100	-	9,733	-	3,079
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	16,190	38,100	3,663	2,767	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	456	1,000
Total expenditures	16,190	38,100	3,663	2,767	456	1,000
Excess of revenues over (under) expenditures	-	-	-3,663	6,966	-456	2,079
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-	-	-3,663	6,966	-456	2,079
Fund balance - July 1	-	-	-	-9,787	321	77,310
Fund balance - June 30	\$ -	\$ -	\$ -3,663	\$ -2,821	\$ -135	\$ 79,389

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Walkway and tree fund	Adams tree fund	Historic building improvement	Anthem demutual. proceeds	Vo-ag. equipment grant	Special ed excess costs grant
Assets						
Cash	\$ -	\$ 3,879	\$ 10,059	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	1,810	-	-	51,639	-	-
Total assets	1,810	3,879	10,059	51,639	-	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	27,749	-
Total liabilities	-	-	-	-	27,749	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	1,810	3,879	10,059	51,639	-27,749	-
Total fund balance	1,810	3,879	10,059	51,639	-27,749	-
Total liabilities and fund balance	\$ 1,810	\$ 3,879	\$ 10,059	\$ 51,639	\$ -	\$ -
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 523,967
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	23	61	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	23	61	-	-	523,967
Expenditures						
Salary and wages	-	-	-	31,220	-	-
Program operating costs	-	-	-	-	22,220	523,967
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	31,220	22,220	523,967
Excess of revenues over (under) expenditures	-	23	61	-31,220	-22,220	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-	23	61	-31,220	-22,220	-
Fund balance - July 1	1,810	3,856	9,998	82,859	-5,529	-
Fund balance - June 30	\$ 1,810	\$ 3,879	\$ 10,059	\$ 51,639	\$ -27,749	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Special ed agency placements	BESB grant	Board of education one-on-one	Unimproved Town roads	Rails to trails grant	America the beautiful grant
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	4,800
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	32,576	98	-
Total assets	-	-	-	32,576	98	4,800
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	4,800
Total liabilities	-	-	-	-	-	4,800
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-	32,576	98	-
Total fund balance	-	-	-	32,576	98	-
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ 32,576	\$ 98	\$ 4,800
Revenues						
Intergovernmental - education	\$ 146,291	\$ 699	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	45,820	83,267	4,800
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	18,121	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	146,291	699	18,121	45,820	83,267	4,800
Expenditures						
Salary and wages	-	-	18,121	7,549	-	-
Program operating costs	146,291	699	-	43,183	81,200	4,800
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	146,291	699	18,121	50,732	81,200	4,800
Excess of revenues over (under) expenditures	-	-	-	-4,912	2,067	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-	-	-	-4,912	2,067	-
Fund balance - July 1	-	-	-	37,488	-1,969	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ 32,576	\$ 98	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Senior center donations	Equipment training grant	Clean energy grant	State aid drug abuse grant	Jared Hinckley scholar.	Kalmon Kurcinik scholar.
Assets						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 50,044	\$ 9,750
Accounts receivable (net)						
Intergovernmental	-	6,766	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	985	-	2,000	628	-	-
Total assets	985	6,766	2,000	628	50,044	9,750
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	6,766	-	-	-	-
Total liabilities	-	6,766	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	985	-	2,000	628	50,044	9,750
Total fund balance	985	-	2,000	628	50,044	9,750
Total liabilities and fund balance	\$ 985	\$ 6,766	\$ 2,000	\$ 628	\$ 50,044	\$ 9,750
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	6,766	-	-	-	-
Interest and dividends	-	-	-	-	1,041	189
Charges for services	-	-	-	-	-	-
Miscellaneous	985	-	2,000	-	-	-
Total revenues	985	6,766	2,000	-	1,041	189
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	6,766	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,212	353
Total expenditures	-	6,766	-	-	1,212	353
Excess of revenues over (under) expenditures	985	-	2,000	-	-171	-164
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	985	-	2,000	-	-171	-164
Fund balance - July 1	-	-	-	628	50,215	9,914
Fund balance - June 30	\$ 985	\$ -	\$ 2,000	\$ 628	\$ 50,044	\$ 9,750

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Mary Chase scholar.	Robert L. Hanover scholar.	Richard Woyasz scholar.	Flegert Ausburger scholar.	Nicholas Trahan scholar.	Lebanon school prizes
Assets						
Cash	\$ 7,916	\$ 2,818	\$ 1,474	\$ 2,431	\$ 9,698	\$ 1,764
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>7,916</u>	<u>2,818</u>	<u>1,474</u>	<u>2,431</u>	<u>9,698</u>	<u>1,764</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	7,916	2,818	1,474	2,431	9,698	1,764
Total fund balance	<u>7,916</u>	<u>2,818</u>	<u>1,474</u>	<u>2,431</u>	<u>9,698</u>	<u>1,764</u>
Total liabilities and fund balance	<u>\$ 7,916</u>	<u>\$ 2,818</u>	<u>\$ 1,474</u>	<u>\$ 2,431</u>	<u>\$ 9,698</u>	<u>\$ 1,764</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	30	56	50	42	145	6
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	615
Total revenues	<u>30</u>	<u>56</u>	<u>50</u>	<u>42</u>	<u>145</u>	<u>621</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	350	253	-	500	-
Total expenditures	<u>-</u>	<u>350</u>	<u>253</u>	<u>-</u>	<u>500</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>30</u>	<u>-294</u>	<u>-203</u>	<u>42</u>	<u>-355</u>	<u>621</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	30	-294	-203	42	-355	621
Fund balance - July 1	<u>7,886</u>	<u>3,112</u>	<u>1,677</u>	<u>2,389</u>	<u>10,053</u>	<u>1,143</u>
Fund balance - June 30	<u>\$ 7,916</u>	<u>\$ 2,818</u>	<u>\$ 1,474</u>	<u>\$ 2,431</u>	<u>\$ 9,698</u>	<u>\$ 1,764</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	William T. Valvo scholar.	Hinckley fire dept. trust	Memorial fire dept. trust	Title I basic \$60,213 7/07 - 6/09	Title I basic \$50,657 7/08 - 6/10	Title II A teachers \$31,037 7/06 - 6/08
Assets						
Cash	\$ -	\$ -	\$ 26,839	\$ 600	\$ 50,657	\$ 130
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	-	26,839	600	50,657	130
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	50,657	-
Total liabilities	-	-	-	-	50,657	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	26,839	600	-	130
Total fund balance	-	-	26,839	600	-	130
Total liabilities and fund balance	\$ -	\$ -	\$ 26,839	\$ 600	\$ 50,657	\$ 130
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 50,657	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	7	1	367	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	1,933	-	-	-
Total revenues	7	1	2,300	-	50,657	-
Expenditures						
Salary and wages	-	-	-	-	50,657	-
Program operating costs	-	-	-	-	-	1,217
Capital outlay	-	-	-	-	-	-
Miscellaneous	231	-	543	-	-	-
Total expenditures	231	-	543	-	50,657	1,217
Excess of revenues over (under) expenditures	-224	1	1,757	-	-	-1,217
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-560	-	-	-	-
Total other financing sources (uses)	-	-560	-	-	-	-
Net change in fund balance	-224	-559	1,757	-	-	-1,217
Fund balance - July 1	224	559	25,082	600	-	1,347
Fund balance - June 30	\$ -	\$ -	\$ 26,839	\$ 600	\$ -	\$ 130

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Title II A teachers \$31,362 7/07 - 6/09		Title II A teachers \$33,758 7/08 - 6/10		Title II D technology \$364 7/07 - 6/09		Title II D technology \$262 7/08 - 6/10		Title IV drug free \$3,580 7/07 - 6/09		Title VI strategies \$2,788 7/08 - 6/10	
Assets												
Cash	\$	-	\$	21,857	\$	214	\$	262	\$	-	\$	2,788
Accounts receivable (net)												
Intergovernmental		-		-		-		-		-		-
Other		-		-		-		-		-		-
Inventories		-		-		-		-		-		-
Due from other funds		-		-		-		-		-		-
Total assets		-		21,857		214		262		-		2,788
Liabilities												
Accounts payable		-		-		-		-		-		-
Deferred revenue		-		-		-		-		-		-
Due to other funds		-		2,094		-		-		-		-
Total liabilities		-		2,094		-		-		-		-
Fund balance												
Reserved		-		-		-		-		-		-
Unreserved		-		19,763		214		262		-		2,788
Total fund balance		-		19,763		214		262		-		2,788
Total liabilities and fund balance	\$	-	\$	21,857	\$	214	\$	262	\$	-	\$	2,788
Revenues												
Intergovernmental - education	\$	-	\$	33,758	\$	-	\$	262	\$	-	\$	2,788
Intergovernmental - other		-		-		-		-		-		-
Interest and dividends		-		-		-		-		-		-
Charges for services		-		-		-		-		-		-
Miscellaneous		-		-		-		-		-		-
Total revenues		-		33,758		-		262		-		2,788
Expenditures												
Salary and wages		-		2,094		-		-		-		-
Program operating costs		913		11,901		-		-		2,712		-
Capital outlay		-		-		-		-		-		-
Miscellaneous		-		-		-		-		-		-
Total expenditures		913		13,995		-		-		2,712		-
Excess of revenues over (under) expenditures		-913		19,763		-		262		-2,712		2,788
Other financing sources (uses)												
Operating transfers in		-		-		-		-		-		-
Operating transfers out		-		-		-		-		-		-
Total other financing sources (uses)		-		-		-		-		-		-
Net change in fund balance		-913		19,763		-		262		-2,712		2,788
Fund balance - July 1		913		-		214		-		2,712		-
Fund balance - June 30	\$	-	\$	19,763	\$	214	\$	262	\$	-	\$	2,788

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Title V strategies \$2,226 7/07 - 6/09	IDEA Part B section 611 \$10,000 10/07 - 6/08	IDEA Part B section 611 \$252,677 7/07 - 6/09	IDEA Part B section 611 \$254,620 7/08 - 6/10	IDEA Part B section 619 \$10,378 7/07 - 6/09	IDEA Part B section 619 \$10,197 7/08 - 6/10
Assets						
Cash	\$ -	\$ -	\$ 14,530	\$ 194,072	\$ 378	\$ -8,640
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	-	14,530	194,072	378	-8,640
Liabilities						
Accounts payable	-	-	7,073	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	2,554	155,000	378	-
Total liabilities	-	-	9,627	155,000	378	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	4,903	39,072	-	-8,640
Total fund balance	-	-	4,903	39,072	-	-8,640
Total liabilities and fund balance	\$ -	\$ -	\$ 14,530	\$ 194,072	\$ 378	\$ -8,640
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ 62,174	\$ 238,804	\$ -	\$ 1,557
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	62,174	238,804	-	1,557
Expenditures						
Salary and wages	-	-	2,554	155,000	378	-
Program operating costs	-	-	54,787	44,521	-	10,197
Capital outlay	-	-	-	-	-	-
Miscellaneous	-72	45	-	211	-	-
Total expenditures	-72	45	57,341	199,732	378	10,197
Excess of revenues over (under) expenditures	72	-45	4,833	39,072	-378	-8,640
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	72	-45	4,833	39,072	-378	-8,640
Fund balance - July 1	-72	45	70	-	378	-
Fund balance - June 30	\$ -	\$ -	\$ 4,903	\$ 39,072	\$ -	\$ -8,640

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Perkins entitlement \$62,559 7/07 - 6/08	Perkins entitlement \$10,451 7/08 - 6/09	Quality improvement \$5,000 7/08 - 6/09	Ct. clean school bus \$8,330 7/08 - 6/09	School heating \$18,177 7/08 - 6/09	School readiness \$107,000 7/08 - 6/09
Assets						
Cash	\$ -	\$ -	\$ 2,471	\$ -	\$ -	\$ 82,303
Accounts receivable (net)						
Intergovernmental	-	6,949	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	-	6,949	2,471	-	-	82,303
Liabilities						
Accounts payable	-	3,237	2,471	-	-	13,283
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	3,712	-	-	-	69,020
Total liabilities	-	6,949	2,471	-	-	82,303
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-
Total liabilities and fund balance	\$ -	\$ 6,949	\$ 2,471	\$ -	\$ -	\$ 82,303
Revenues						
Intergovernmental - education	\$ -	\$ 6,949	\$ 5,000	\$ 8,330	\$ 18,177	\$ 107,000
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	6,949	5,000	8,330	18,177	107,000
Expenditures						
Salary and wages	-	-	-	-	-	68,712
Program operating costs	2,284	6,949	5,000	8,330	18,177	38,288
Capital outlay	-	-	-	-	-	-
Miscellaneous	1,365	-	-	-	-	-
Total expenditures	3,649	6,949	5,000	8,330	18,177	107,000
Excess of revenues over (under) expenditures	-3,649	-	-	-	-	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balance	-3,649	-	-	-	-	-
Fund balance - July 1	3,649	-	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Homeland security \$40,074 7/08 - 6/09	Adult education \$7,873 7/08 - 6/09	Computer assisted \$65,000 11/07 - 6/08	NECASA \$2,285 7/07 - 6/08	NECASA \$2,285 7/08 - 6/09	NECASA \$2,000 7/07 - 6/08
Assets						
Cash	\$ -1,331	\$ -	\$ -	\$ -	\$ 1,203	\$ -
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Due from other funds	1,331	-	-	-	-	-
Total assets	-	-	-	-	1,203	-
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balance						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-	-	1,203	-
Total fund balance	-	-	-	-	1,203	-
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ -	\$ 1,203	\$ -
Revenues						
Intergovernmental - education	\$ 40,074	\$ 7,873	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	2,285	-
Total revenues	40,074	7,873	-	-	2,285	-
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	60,000	7,873	4,568	-	-	-
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-137	1,082	190
Total expenditures	60,000	7,873	4,568	-137	1,082	190
Excess of revenues over (under) expenditures	-19,926	-	-4,568	137	1,203	-190
Other financing sources (uses)						
Operating transfers in	19,926	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	19,926	-	-	-	-	-
Net change in fund balance	-	-	-4,568	137	1,203	-190
Fund balance - July 1	-	-	4,568	-137	-	190
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ 1,203	\$ -

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2009

	Prior years school grants	LES school activities	LMS school activities	LHS school activities	Totals
Assets					
Cash	\$ 5,419	\$ 21,489	\$ 19,516	\$ 16,129	\$ 1,293,834
Accounts receivable (net)					
Intergovernmental	-	-	-	-	37,997
Other	-	-	-	-	442,057
Inventories	-	-	-	-	10,675
Due from other funds	-	-	-	-	581,996
Total assets	<u>5,419</u>	<u>21,489</u>	<u>19,516</u>	<u>16,129</u>	<u>2,366,559</u>
Liabilities					
Accounts payable	-	-	-	-	49,279
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	443,486
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,765</u>
Fund balance					
Reserved	-	-	-	-	466,332
Unreserved	5,419	21,489	19,516	16,129	1,407,462
Total fund balance	<u>5,419</u>	<u>21,489</u>	<u>19,516</u>	<u>16,129</u>	<u>1,873,794</u>
Total liabilities and fund balance	<u>\$ 5,419</u>	<u>\$ 21,489</u>	<u>\$ 19,516</u>	<u>\$ 16,129</u>	<u>\$ 2,366,559</u>
Revenues					
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ 1,366,092
Intergovernmental - other	-	-	-	-	331,240
Interest and dividends	-	-	-	-	11,530
Charges for services	-	-	-	-	524,703
Miscellaneous	-	10,213	46,023	32,188	381,063
Total revenues	<u>-</u>	<u>10,213</u>	<u>46,023</u>	<u>32,188</u>	<u>2,614,628</u>
Expenditures					
Salary and wages	-	-	-	-	788,352
Program operating costs	-	-	-	-	1,898,717
Capital outlay	-	-	-	-	-
Miscellaneous	-	22,574	41,454	32,253	222,198
Total expenditures	<u>-</u>	<u>22,574</u>	<u>41,454</u>	<u>32,253</u>	<u>2,909,267</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-12,361</u>	<u>4,569</u>	<u>-65</u>	<u>-294,639</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	514,935
Operating transfers out	-	-	-	-	-45,230
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,705</u>
Net change in fund balance	-	-12,361	4,569	-65	175,066
Fund balance - July 1	<u>5,419</u>	<u>33,850</u>	<u>14,947</u>	<u>16,194</u>	<u>1,698,728</u>
Fund balance - June 30	<u>\$ 5,419</u>	<u>\$ 21,489</u>	<u>\$ 19,516</u>	<u>\$ 16,129</u>	<u>\$ 1,873,794</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2009

	Lake Williams project	Town bridge projects	Totals
Assets			
Cash	\$ 16,985	\$ -	\$ 16,985
Accounts receivable (net)			
Property taxes	23,078	-	23,078
Intergovernmental	-	4,019	4,019
Other	-	-	-
Due from other funds	16,713	6,041	22,754
Total assets	<u>56,776</u>	<u>10,060</u>	<u>66,836</u>
Liabilities			
Accounts payable	-	-	-
Deferred property tax revenue	23,078	-	23,078
Due to other funds	-	81,683	81,683
Total liabilities	<u>23,078</u>	<u>81,683</u>	<u>104,761</u>
Fund balance			
Reserved	-	-	-
Unreserved	33,698	-71,623	-37,925
Total fund balance	<u>33,698</u>	<u>-71,623</u>	<u>-37,925</u>
Total liabilities and fund balance	<u>\$ 56,776</u>	<u>\$ 10,060</u>	<u>\$ 66,836</u>
Revenues			
Property tax revenue, interest, liens	\$ 7,045	\$ -	\$ 7,045
Intergovernmental - other	-	4,019	4,019
Interest and dividends	-	-	-
Charges for services	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>7,045</u>	<u>4,019</u>	<u>11,064</u>
Expenditures			
Salary and wages	-	-	-
Program operating costs	-	9,329	9,329
Capital outlay	-	22,662	22,662
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>31,991</u>	<u>31,991</u>
Excess of revenues over (under) expenditures	<u>7,045</u>	<u>-27,972</u>	<u>-20,927</u>
Other financing sources (uses)			
Operating transfers in	-	9,329	9,329
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>9,329</u>	<u>9,329</u>
Net change in fund balance	7,045	-18,643	-11,598
Fund balance - July 1	<u>26,653</u>	<u>-52,980</u>	<u>-26,327</u>
Fund balance - June 30	<u>\$ 33,698</u>	<u>\$ -71,623</u>	<u>\$ -37,925</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2009

	Cummings scholarship	George Lyman scholarship	Cemetery perpetual care	Helen Rodgers scholarship	Waterman Wilson library fund	Flora Williams library fund
Assets						
Cash	\$ 204,615	\$ 45,910	\$ 11,305	\$ 10,531	\$ 8,955	\$ 7,525
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	204,615	45,910	11,305	10,531	8,955	7,525
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	7,570	3,205	764	531	595	525
Total liabilities	7,570	3,205	764	531	595	525
Fund balance						
Reserved	197,045	42,705	10,541	10,000	8,360	7,000
Unreserved	-	-	-	-	-	-
Total fund balance	197,045	42,705	10,541	10,000	8,360	7,000
Total liabilities and fund balance	\$ 204,615	\$ 45,910	\$ 11,305	\$ 10,531	\$ 8,955	\$ 7,525
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	6,718	1,502	339	346	256	246
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	6,718	1,502	339	346	256	246
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	6,718	1,502	339	346	256	246
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-6,718	-1,502	-339	-346	-256	-246
Total other financing sources (uses)	-6,718	-1,502	-339	-346	-256	-246
Net change in fund balance	-	-	-	-	-	-
Fund balance - July 1	197,045	42,705	10,541	10,000	8,360	7,000
Fund balance - June 30	\$ 197,045	\$ 42,705	\$ 10,541	\$ 10,000	\$ 8,360	\$ 7,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2009

	Town deposit scholarship	Lebanon school prizes	Royal O. Woodard scholarship	Dorothy Hinckley scholarship	Elizabeth Grant school	EL Reichard nursing scholarship
Assets						
Cash	\$ 6,566	\$ 6,730	\$ 6,363	\$ 5,950	\$ 4,513	\$ 3,159
Investments	-	-	-	-	-	-
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	6,566	6,730	6,363	5,950	4,513	3,159
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	4	330	313	-	228	159
Total liabilities	4	330	313	-	228	159
Fund balance						
Reserved	6,562	6,400	6,050	5,000	4,285	3,000
Unreserved	-	-	-	950	-	-
Total fund balance	6,562	6,400	6,050	5,950	4,285	3,000
Total liabilities and fund balance	\$ 6,566	\$ 6,730	\$ 6,363	\$ 5,950	\$ 4,513	\$ 3,159
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	17	221	209	92	148	104
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	17	221	209	92	148	104
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess of revenues over (under) expenditures	17	221	209	92	148	104
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-17	-221	-209	-	-148	-104
Total other financing sources (uses)	-17	-221	-209	-	-148	-104
Net change in fund balance	-	-	-	92	-	-
Fund balance - July 1	6,562	6,400	6,050	5,858	4,285	3,000
Fund balance - June 30	\$ 6,562	\$ 6,400	\$ 6,050	\$ 5,950	\$ 4,285	\$ 3,000

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2009

	Flora Williams school	Local school	Vernon Boothby library	William Taylor cemetery	Oliver & Lucille Manning	Totals
Assets						
Cash	\$ 2,103	\$ 1,937	\$ 1,000	\$ 1,075	\$ -	\$ 328,237
Investments	-	-	-	-	5,989	5,989
Accounts receivable (net)						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>2,103</u>	<u>1,937</u>	<u>1,000</u>	<u>1,075</u>	<u>5,989</u>	<u>334,226</u>
Liabilities						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	103	-	-	75	-	14,402
Total liabilities	<u>103</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>14,402</u>
Fund balance						
Reserved	2,000	1,937	1,000	1,000	5,989	318,874
Unreserved	-	-	-	-	-	950
Total fund balance	<u>2,000</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>5,989</u>	<u>319,824</u>
Total liabilities and fund balance	<u>\$ 2,103</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,075</u>	<u>\$ 5,989</u>	<u>\$ 334,226</u>
Revenues						
Intergovernmental - education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - other	-	-	-	-	-	-
Interest and dividends	69	3	-	41	-	10,311
Charges for services	-	-	-	-	-	-
Net change in investment fair value	-	-	-	-	-2,856	-2,856
Total revenues	<u>69</u>	<u>3</u>	<u>-</u>	<u>41</u>	<u>-2,856</u>	<u>7,455</u>
Expenditures						
Salary and wages	-	-	-	-	-	-
Program operating costs	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>69</u>	<u>3</u>	<u>-</u>	<u>41</u>	<u>-2,856</u>	<u>7,455</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-69	-3	-	-41	-	-10,219
Total other financing sources (uses)	<u>-69</u>	<u>-3</u>	<u>-</u>	<u>-41</u>	<u>-</u>	<u>-10,219</u>
Net change in fund balance	-	-	-	-	-2,856	-2,764
Fund balance - July 1	<u>2,000</u>	<u>1,937</u>	<u>1,000</u>	<u>1,000</u>	<u>8,845</u>	<u>322,588</u>
Fund balance - June 30	<u>\$ 2,000</u>	<u>\$ 1,937</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,989</u>	<u>\$ 319,824</u>

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Town construction projects
As of and for the year ended June 30, 2009

	LES building project	LMS building project	Fire safety complex	Senior center complex	Totals
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable (net)					
Intergovernmental	-	-	-	25,000	25,000
Other	-	-	-	-	-
Due from other funds	-	-	11,641	4,145	15,786
Total assets	-	-	11,641	29,145	40,786
Liabilities					
Accounts payable	-	-	-	38	38
Deferred revenue	-	-	-	-	-
Due to other funds	653,406	259,846	-	25,000	938,252
Total liabilities	653,406	259,846	-	25,038	938,290
Fund balance					
Reserved	-	-	-	-	-
Unreserved	-653,406	-259,846	11,641	4,107	-897,504
Total fund balance	-653,406	-259,846	11,641	4,107	-897,504
Total liabilities and fund balance	\$ -	\$ -	\$ 11,641	\$ 29,145	\$ 40,786
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 111,819	\$ 111,819
Interest and dividends	-	-	-	-	-
Net change in investment fair value	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	111,819	111,819
Expenditures					
Salary and wages	-	-	-	-	-
Program operating costs	-	-	-	-	-
Capital outlay	2,335	-	-	1,118,957	1,121,292
Miscellaneous	-	-	-	-	-
Total expenditures	2,335	-	-	1,118,957	1,121,292
Excess of revenues over (under) expenditures	-2,335	-	-	-1,007,138	-1,009,473
Other financing sources (uses)					
Operating transfers in	66,550	66,550	-	212,940	346,040
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	66,550	66,550	-	212,940	346,040
Net change in fund balance	64,215	66,550	-	-794,198	-663,433
Fund balance - July 1	-717,621	-326,396	11,641	798,305	-234,071
Fund balance - June 30	\$ -653,406	\$ -259,846	\$ 11,641	\$ 4,107	\$ -897,504

Town of Lebanon, Connecticut
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Investment trust funds
As of and for the year ended June 30, 2009

	Jonathan Trumbull Jr. library fund	Adams community center fund	Jonathan Trumbull Jr. house fund	Totals
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	628,555	427,772	297,780	1,354,107
Accounts receivable (net)				
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>628,555</u>	<u>427,772</u>	<u>297,780</u>	<u>1,354,107</u>
Liabilities				
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Reserved	-	-	-	-
Unreserved	628,555	427,772	297,780	1,354,107
Total fund balance	<u>628,555</u>	<u>427,772</u>	<u>297,780</u>	<u>1,354,107</u>
Total liabilities and fund balance	<u>\$ 628,555</u>	<u>\$ 427,772</u>	<u>\$ 297,780</u>	<u>\$ 1,354,107</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest and dividends	23,395	18,987	13,446	55,828
Net change in investment fair value	-155,334	-112,380	-93,857	-361,571
Miscellaneous	-	-	-	-
Total revenues	<u>-131,939</u>	<u>-93,393</u>	<u>-80,411</u>	<u>-305,743</u>
Expenditures				
Salary and wages	-	-	-	-
Program operating costs	-	-	-	-
Capital outlay	-	-	-	-
Miscellaneous	65	65	65	195
Total expenditures	<u>65</u>	<u>65</u>	<u>65</u>	<u>195</u>
Excess of revenues over (under) expenditures	<u>-132,004</u>	<u>-93,458</u>	<u>-80,476</u>	<u>-305,938</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-22,751	-18,368	-12,828	-53,947
Total other financing sources (uses)	<u>-22,751</u>	<u>-18,368</u>	<u>-12,828</u>	<u>-53,947</u>
Net change in fund balance	-154,755	-111,826	-93,304	-359,885
Fund balance - July 1	<u>783,310</u>	<u>539,598</u>	<u>391,084</u>	<u>1,713,992</u>
Fund balance - June 30	<u>\$ 628,555</u>	<u>\$ 427,772</u>	<u>\$ 297,780</u>	<u>\$ 1,354,107</u>

Town of Lebanon, Connecticut
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2009

Total tax collections (including interest and lien fees) for the current fiscal year.	\$ 13,795,003
Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year.	7,045
Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d)	<u>29,975</u>
Total base	<u><u>\$ 13,832,023</u></u>

Debt limitation:	General purposes	Schools	Sewers	Urban renewal	Pension deficit
2 1/4 times base	\$ 31,122,052	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	62,244,104	-	-	-
3 3/4 times base	-	-	51,870,086	-	-
3 1/4 times base	-	-	-	44,954,075	-
3 times base	-	-	-	-	41,496,069
Total debt limitation	<u>31,122,052</u>	<u>62,244,104</u>	<u>51,870,086</u>	<u>44,954,075</u>	<u>41,496,069</u>
Indebtedness:					
Bonds payable	1,371,323	4,787,200	-	-	-
Bonds authorized and unissued	-	9,880,000	-	-	-
Notes payable	-	-	-	-	-
Capital leases payable	-	6,285	-	-	-
Accrued compensated absences:					
School employees	-	90,109	-	-	-
Town employees	63,354	-	-	-	-
Accrued post closure landfill costs	<u>123,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,558,308</u>	<u>14,763,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 29,563,744</u></u>	<u><u>\$ 47,480,510</u></u>	<u><u>\$ 51,870,086</u></u>	<u><u>\$ 44,954,075</u></u>	<u><u>\$ 41,496,069</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be \$96,824,161 which is well above the \$16,321,902 current amount of outstanding and authorized and unissued debt of the Town.

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2009

Grand list	Uncollected taxes 06/30/08	Current year taxes levied	Lawful corrections		Net taxes collectable
			Additions	Deductions	
2007	\$ -	\$ 13,656,502	\$ 15,110	\$ -34,445	\$ 13,637,167
2006	354,113	-	7,266	-4,161	357,218
2005	95,492	-	488	-1,841	94,139
2004	19,604	-	-	-	19,604
2003	13,196	-	-	-	13,196
2002	8,351	-	-	-	8,351
2001	4,922	-	430	-215	5,137
2000	4,726	-	-	-	4,726
1999	3,851	-	-	-	3,851
1998	1,802	-	-	-	1,802
1997	71	-	-	-	71
1996	75	-	-	-	75
1995	-	-	-	-	-
1994	-	-	-	-	-
1993	-	-	-	-	-
	<u>\$ 506,203</u>	<u>\$ 13,656,502</u>	<u>\$ 23,294</u>	<u>\$ -40,662</u>	<u>\$ 14,145,337</u>

Town of Lebanon, Connecticut
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2009

Grand list	Collections during the fiscal year			Total	Adjustments	Uncollected taxes 06/30/09
	Taxes	Interest	Lien fees			
2007	\$ 13,320,712	\$ 65,312	\$ 2,180	\$ 13,388,204	\$ -	\$ 316,455
2006	241,306	55,867	2,446	299,619	-	115,912
2005	39,835	16,353	672	56,860	-23,180	31,124
2004	5,826	4,118	154	10,098	-	13,778
2003	3,177	4,393	168	7,738	-	10,019
2002	3,144	2,183	72	5,399	-	5,207
2001	243	34	24	301	-	4,894
2000	-	1,277	-	1,277	-	4,726
1999	660	33	580	1,273	-	3,191
1998	-	-	-	-	-	1,802
1997	-	-	-	-	-	71
1996	-	-	-	-	-	75
1995	-	-	-	-	-	-
1994	-	-	-	-	-	-
1993	-	-	-	-	-	-
	<u>\$ 13,614,903</u>	<u>\$ 149,570</u>	<u>\$ 6,296</u>	<u>\$ 13,770,769</u>	<u>\$ -23,180</u>	<u>\$ 507,254</u>

- A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property taxes, interest, and liens revenue balance on Statement D, Statement E, or Sub-Schedule C. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule C.

\$ 13,656,502	Current year taxes levied from page 58
149,570	Tax interest collections during the current fiscal year from above
5,793	Suspense interest collections during the current fiscal year
6,296	Tax lien fee collections during the current fiscal year from above
6,287	Suspense principle balance collections during the current fiscal year
-23,180	Account balances transferred to suspense during the current fiscal year from above
-17,368	The net lawful corrections made during the current fiscal year from page 58
11,103	The deferred tax revenue adjustment made as described in item number 2 on page 15
<u>\$ 13,795,003</u>	Property taxes, interest, and liens per Statement D, Statement E, and Sub-Schedule C

- B - Operation of Law - No tax can be collected 15 years after the original due date.

- C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year \$6,287 was collected on principle suspense tax balances owed and \$5,793 of interest was collected on principle suspense tax balances owed. Certificates of correction were completed for taxes which had already been transferred to suspense during the current fiscal year in the amount of a \$649 decrease. Four suspense tax years were affected by these corrections.

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards
For the year ended June 30, 2009

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Agriculture			
Passed through State of Connecticut - Department of Education			
USDA commodities received	10.550	-	\$ 17,795
School breakfast program	10.553	12060-SDE64370-20508-2008 12060-SDE64370-20508-2009	3,421 9,065 <u>12,486</u>
School lunch program	10.555	12060-SDE64370-20560-2008 12060-SDE64370-20560-2009	21,175 54,178 <u>75,353</u>
School milk program	10.556	12060-SDE64370-20500-2008 12060-SDE64370-20500-2009	504 1,116 <u>1,620</u>
Total U.S. Department of Agriculture			<u>107,254</u>
U.S. Department of Housing and Urban Development			
Passed through State of Connecticut - Department of Economic and Community Development			
Small cities program -			
Housing rehabilitation loan program	14.228	12060-ECD46350-20730-2009	15,554
Housing rehabilitation loan program	14.228	12060-ECD46350-20730-2009	108,544
Senior center construction grant	14.228	12060-ECD46350-20730-2008	20,000 <u>144,098</u>
U.S. Department of Education			
Passed through State of Connecticut - Department of Education			
Title I - Improving basic programs	84.010	12060-SDE64370-20679-2009	<u>50,657</u>
Carl D. Perkins vocational & technology education act	84.048	12060-SDE64370-20742-2008 12060-SDE64370-20742-2009	3,649 6,949 <u>10,598</u>
Idea Part B - Section 611 Disabilities	84.027	12060-SDE64370-20977-2008 12060-SDE64370-20977-2009	57,341 199,732 <u>257,073</u>
Idea Part B - Section 619 Pre-school grants	84.173	12060-SDE64370-20983-2008 12060-SDE64370-20983-2009	378 1,557 <u>1,935</u>
Title IV - Safe and drug free schools	84.186	12060-SDE64370-20873-2008	<u>2,712</u>

Town of Lebanon, Connecticut
Schedule of expenditures of federal awards (continued)
For the year ended June 30, 2009

Federal grantor Pass-through grantor Program title	Federal CFDA number	Pass-through grantor number	Federal expenditures
U.S. Department of Education			
Passed through State of Connecticut - Department of Education (continued)			
Title II Part A - Teachers	84.367	12060-SDE64370-20858-2008	\$ 913
		12060-SDE64370-20858-2009	13,995
			<u>14,908</u>
Total U.S. Department of Education			<u>337,883</u>
U.S. Department of Transportation			
Passed through State of Connecticut - Department of Transportation			
Highway planning and construction	20.205	12062-DOT57151-22108-2008	<u>3,215</u>
Total Expenditures of Federal Awards			<u><u>\$ 592,450</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of federal awards
June 30, 2009

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant and contract activity of the Town of Lebanon, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The expenditure amounts shown on the accompanying schedule include reimbursable expenditures which have been incurred by the Town and therefore included as expenditures but which have not yet been reimbursed and are considered and may be recorded as accounts receivable. In accordance with OMB Circular A-133 section §____.205 (a), the determination of when an award is expended should be based on when the activity related to the award occurs.

The donated USDA commodities of \$17,795 shown for CFDA# are valued and recorded at fair value at the time of receipt. This is in accordance with OMB Circular A-133.

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated January 14, 2010. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls and for the failure of the Town to implement the requirements of Government Accounting Standards Statements number 43 and 45 as they relate to Other Post-Employment Benefits. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Lebanon, Connecticut's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Lebanon, Connecticut's financial statements that is more than inconsequential will not be prevented or detected by the Town of Lebanon, Connecticut's internal control. We consider the deficiencies described in the accompanying schedule of findings, questioned costs, and responses to be significant deficiencies in internal control over financial reporting. These significant deficiencies are identified as items 09-01F through 09-06F. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Lebanon, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-01F, 09-02F, 09-05F and 09-06F to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Lebanon, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 14, 2010

Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Independent Auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the compliance of Town of Lebanon, Connecticut, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Town of Lebanon, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs, and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Lebanon, Connecticut's Management. Our responsibility is to express an opinion on Town of Lebanon, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Lebanon, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of Lebanon, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and responses. We did not audit the Town of Lebanon, Connecticut's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 14, 2010

Town of Lebanon, Connecticut
Schedule of findings, questioned costs, and responses
June 30, 2009

Summary of Audit Results

The following is a summary of the results of the audit of the basic financial statements of the Town of Lebanon, Connecticut as of and for the year ended June 30, 2009 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* §____.505(d)(1).

- (i) A qualified opinion was issued on the basic financial statements of the auditee as described in the Independent Auditors' Report found on page 1 and 2 of the basic financial statements.
- (ii) There were six reportable conditions in internal control disclosed by the audit of the basic financial statements of the auditee. These reportable conditions are referenced in the accompanying schedule of findings, questioned costs, and responses as item numbers 09-01F through 09-06F.
- (iii) The audit did not disclose any instances of noncompliance which we believe could be material to the basic financial statements of the auditee.
- (iv) There were no reportable conditions in internal control over compliance for major programs disclosed by the audit of the basic financial statements of the auditee.
- (v) An unqualified opinion was issued on compliance for major programs of the auditee.
- (vi) There were six audit findings disclosed by the audit of the basic financial statements of the auditee which are defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).
- (vii) The following programs (cfda numbers) were considered major for auditing purposes. Major programs for testing purposes were determined in accordance with §____.520 (e) (1) and (2) (B). Under these sections, All type A programs must be tested except those identified as low-risk under section (c)(1). The Town did not have any type A programs to chose from for testing purposes. Therefore, in order to meet the required percentage of coverage, the type B programs of the Town were assessed in regard to risk with the following type B programs being selected and tested as major.

Small cities program	CFDA # 14.228	\$ 144,098	Type B
Idea Part B - Section 611 Disabilities	CFDA # 84.027	<u>257,073</u>	Type B
		<u>\$ 401,171</u>	

- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The auditee qualified as a high-risk auditee under §____.530. In accordance with section §____.520 (f) federal programs must be tested that in the aggregate encompass at least 50% of the total federal awards expended by the Town. Total federal awards expended by the Town were \$592,450. The programs and expenditures noted above in item (vii) represent 67.71 % of the total federal awards expended.

Findings Related to Financial Statements

There were six findings relating to the basic financial statements which are required to be reported in accordance with GAGAS and §____.505(d)(2). These six findings are related to internal control over financial reporting and are referenced in the accompanying schedule of findings, questioned costs, and responses as item numbers 09-01F through 09-06F.

Findings, Questioned Costs, and Responses for Federal Awards

There were no findings and questioned costs for Federal Awards which shall include audit findings as defined in §____.510(a) which are required to be reported in accordance with §____.505(d)(3).

Summary Schedule of Prior Audit Findings

There were no findings, questioned costs, and responses related to federal award programs reported in the audit report for the Town of Lebanon, Connecticut for the year ended June 30, 2008. Therefore, no schedule has been included.

Town of Lebanon, Connecticut
Schedule of findings, questioned costs, and responses (continued)
June 30, 2009

09-01F Accounting policies and procedures manual

The Town does not have an accurate and in-depth accounting policies and procedures manual at this time. This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll. The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded. This finding was present in the prior fiscal year as item 06-01F. We consider this item to be a material weakness.

Recommendation and management response

The Board of Finance should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Finance or other members of management of the Town. The final draft should be presented to the Board of Finance for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Finance for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Finance for approval. I believe that the management of the Town understands the importance of having proper internal controls and an accurate and in-depth accounting policies and procedures manual to help ensure the safeguarded of its' assets. I also believe that through conversations with a number of members of management, that an adequate set of policies and procedures will be developed and implemented to address this finding.

09-02F Preparation of financial statements

The management of the Town is responsible for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Statements of Auditing Standards No. 112 states in effect that if an entity is unable to prepare its financial statements in accordance with these principles that this represents either a deficiency, significant deficiency, or material weakness. In addition, the management of the Town is responsible for being aware of the details of and application of all applicable generally accepted accounting principles. These principles affect how transactions are recorded, reported in the financial statements, and documented in the notes to the financial statements. During the current fiscal year a significant amount of assistance was provided to the Town in order to accurately prepare a set of financial statements in accordance with all applicable generally accepted accounting principles. This finding was present in the prior fiscal year as item 07-01F. We consider this item to be a material weakness.

Recommendation and management response

We recommend that the management of the Town become more familiar with the detail and application of all applicable generally accepted accounting principles. This process should then be applied to the upcoming fiscal year end financial statements during the preparation of these financial statements. Through conversations with members of management, they appear to understand the items and recommendations contained above and agree with the importance of a better set of policies and procedures to address these items.

Town of Lebanon, Connecticut
Schedule of findings, questioned costs, and responses (continued)
June 30, 2009

09-03F Out of balance funds

The town currently uses an accounting software system which allows different activities to be segregated by funds. Each fund is designed to be a self balancing fund in which the assets equal the liabilities plus the beginning fund balance amount plus the current year profit or loss. The debits and credits charged to these funds in accounting transactions and journal entries should always be equal so that the fund will be in balance. During the current fiscal year, the town had twenty two (22) funds which had activity. During the start of the audit fieldwork it was determined that twelve (12) of these funds were out of balance. The system as a whole was in balance, however, a number of transactions which were completed between funds were not completed correctly thus causing individual funds to be out of balance. There does not appear to have been an adequate review process in place during the fiscal year that would find these errors and correct them in a timely manner. The necessary adjustments were completed as part of the audit. This finding was present in the prior fiscal year as item 08-01F. We do consider the lack of system reviews described in this finding to be a significant deficiency.

Recommendation and management response

We recommend that monthly or at least quarterly reviews be made of the balances of the funds within the accounting software system. The accounting software presently being used by the Town does allow for summary account or detailed activity reports by fund to be exported to excel. We recommend that this be done with all of the transactions that need to be moved being highlighted and listed showing the old posting account, the new posting account, and an explanation for the incorrect posting. This listing should be attached to the journal entry that is created and entered into the accounting software to correct any mis-postings that may be found.

In addition to these out of balance funds, a large number and amount of transactions were posted at the end of the fiscal year as either accounts payable or accounts receivable of the general fund when they were in fact either accounts payable or accounts receivable of other funds. Though the revenues and expenditures in these transactions were posted to the correct fund, a due to due from transaction and balance was created. A due to due from transaction is created when one fund either expends or receives funds or another fund. We recommend that closer attention be placed on the correct and more accurate recording of accounts payable and accounts receivable into the correct funds.

09-04F Revenue and expense account reviews

Revenue and expense account reviews do not appear to have been completed during the current fiscal year to determine whether or not transactions were being charged to the correct accounts. This type of review is important to assist in determining how much of a certain budgeted revenue account has been received to date or how much of a certain budgeted expense account has been spent as compared to the approved budgeted amount. Transactions found to be charged incorrectly would simply be adjusted to the correct account while keeping a detail of what makes up each adjustment and why each adjustment was necessary. Without this review process the chances increase that an individual expense line item will be overspent or that budgeted line item expenses that need to be paid will go without being paid. This finding was present in the prior fiscal year as item 08-03F. We do consider the lack of revenue and expense account reviews described in this finding to be a significant deficiency.

Recommendation and managements response

We recommend that monthly or at least quarterly reviews be made of the transactions being charged to revenue and expense accounts to ensure that the transactions are being posted correctly. The accounting software presently being used by the Town does allow for detailed activity reports to be exported to excel. We recommend that this be done with all of the transactions that need to be moved being highlighted and listed showing the old posting account, the new posting account, and an explanation for the incorrect posting. This listing should be attached to the journal entry that is created and entered into the accounting software to correct any mis-postings that may be found.

Town of Lebanon, Connecticut
Schedule of findings, questioned costs, and responses (continued)
June 30, 2009

09-05F Account reconciliations

There is no system in place at this time to reconcile the non cash balance sheet asset and liability accounts of the Town. As a result, a majority of these accounts went unreconciled during the fiscal year and in many instances required a great deal of research and adjusting journal entries to correct the current year activity and in turn the ending recorded balances. Once again it does appear that reconciliations were attempted on some accounts during the fiscal year and after the end of the fiscal year which would not be classified as being prepared in a timely manner. Due to this fact it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. This finding was present in the prior fiscal year as item 08-02F. We do consider this to be a material weakness.

Expenditures related to the Board of Education are recorded by specific line item by the Board of Education and as a lump sum amount by the Town after each expenditure check run. These entries are made on two different accounting systems. The finance office of the Town and the Board of Education did not reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. In addition, the lack of a set reconciliation process does not allow for any material differences to be detected in a timely manner. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Board of Education's Form ED001 so that the reported expenditures equal those recorded on the books of the Town. During the current audit, the necessary adjustments were completed in order to match the expenditures and liability accounts of the Town and the Board of Education. We recommend that the finance office of the Town and the Board of Education develop a reconciliation process either monthly or quarterly to ensure at the end of the fiscal year that both recorded balances equal. This finding was present in the prior fiscal year as item 08-02F. We do consider this to be a material weakness.

Similarly, individual tax receipts are recorded by the tax collector and remitted to the finance office of the Town in a lump sum. Once again these entries are made on two different accounting systems. The finance office of the Town and the tax collector did not successfully reconcile their respective balances during the fiscal year and in turn could not explain the material differences present at the end of the fiscal year. Since the amount being recorded on both sides should be the same, no differences should exist. This annual variance could result in an adjustment being made to the Town's recorded amounts so they will equal those recorded on the books of the tax collector. During the current audit, the necessary adjustments were completed in order to match the receivable and revenue balances of the Town and the Tax collector. We recommend that the finance office of the Town and the tax collector develop a reconciliation process either monthly or quarterly to ensure equal end of year balances. This finding was present in the prior fiscal year as item 08-03F. We do consider this to be a material weakness.

Recommendation and management response

We recommend that the Town develop a set of adequate internal controls to ensure that material asset, liability, revenue, and expense/expenditure accounts are reconciled on at least a quarterly basis if not a monthly basis. We also recommend that the Town Accountant, members of the Board of Education, and the Tax Collector meet on an individual basis and discuss the need for this account reconciliation process to be in place. Individual departments are pieces of the reporting entity as a whole and therefore need to have the same or similar focus on the results of the operations of the Town as a whole and understand the need for having a reasonable assurance present that the Town's specific objectives are being achieved and that its' assets are being safeguarded. Through conversations with members of the management of the Town, they appear to understand the need for this type of reasonable assurance and plan to develop and implement an internal control policy and set of procedures to address the items outlined above.

Town of Lebanon, Connecticut
Schedule of findings, questioned costs, and responses (continued)
June 30, 2009

09-06F Fixed assets and inventory record keeping

The Town does not keep a detailed listing of its' capitalized fixed assets or other inventory items which may fall below the capitalization threshold of the Town but which may be useful to keep track of for future planning and capital improvement purposes. The Town has established a fixed assets capitalization policy that states it will capitalize all expenses for property, plant, and equipment in excess of \$5,000. During the current fiscal year the only items capitalized consisted of town construction projects expenditures and other items noted during the audit. No new fixed assets were presented to be capitalized and no fixed assets were presented as being disposed of. At this time, the only way to record current year additions would be to scan the cash disbursements journal for items in excess of this amount and then select the invoices to determine whether they meet the definition of a fixed asset and in turn whether or not they should be capitalized. In addition, the aforementioned process is in many cases unable to determine whether any items have or have not been disposed of during the current fiscal year. This procedure does however fall outside the scope of the current audit. In regard to other inventory items not meeting the \$5,000 capitalization threshold, the Town should have some system in place to keep track of certain items that may need to be replaced at some future point in time. Without these steps being taken and detailed listings being kept it is difficult for the Town to have an accurate financial picture in relation to their current fixed assets and inventory and their potential future needs. As a result, there can be no reasonable assurance present that the Town's specific objectives are being achieved both in the short term and in the long term or that its' assets are being safeguarded. We consider this item to be a material weakness.

Recommendation and management response

We recommend that the Town implement some type of system to track and record the additions and deletions of fixed assets when they are purchased and when they are disposed of. This system should consist of an initial recognition of items being purchased fitting the definition of a fixed asset and periodic inventory of fixed assets to ensure that any items being disposed of have been recorded as such. This finding has been discussed with management and they appear to understand the importance of such a system, however, such a system has yet to be implemented.

Stephen T. Hopkins, CPA, PC

Auditing , Accounting , and Consulting Services

214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050

Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the State Single Audit Act and on the schedule of expenditures of state financial assistance

Board of Finance
Board of Selectmen
Town of Lebanon, Connecticut

Compliance

We have audited the compliance of the Town of Lebanon, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2009. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Lebanon, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Lebanon, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Lebanon, Connecticut's compliance with those requirements.

In our opinion, the Town of Lebanon, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Town of Lebanon, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of Lebanon, Connecticut's internal control. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lebanon, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town of Lebanon, Connecticut's basic financial statements and have issued our report thereon dated January 14, 2010. A qualified opinion was issued on the financial statements of the Town of Lebanon, Connecticut as it relates to the general fund and its recording of teachers summer salaries and fiscal year ending payrolls and for the failure of the Town to implement the requirements of Government Accounting Standards Statements number 43 and 45 as they relate to Other Post-Employment Benefits. This qualification is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Connecticut's financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Finance, Board of Selectmen, Board of Education, and other members of management of the Town of Lebanon, Connecticut, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

January 14, 2010

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2009

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Office of Policy and Management:</u>		
Disabled program	11000-OPM20600-17011-2009	\$ 626
Property tax relief for elderly and totally disabled homeowners	11000-OPM20600-17018-2009	29,975
Property tax relief for veterans	11000-OPM20600-17024-2009	4,570
Property tax relief for manufacturing machinery and equipment and commercial vehicles	11000-OPM20600-17031-2009	35,035
School heating assistance	11000-OPM20600-17096-2009	18,177
<u>Department of Education:</u>		
Healthy food certification	11000-SDE64370-16072-2009	11,311
Child nutrition program	11000-SDE64370-16072-2009	5,124
Vocational Agriculture	11000-SDE64370-17017-2009	149,091
Adult education	11000-SDE64370-17030-2009	7,873
School readiness	11000-SDE64370-12113-2009	107,000
<u>Connecticut State Library:</u>		
Historic document preservation	12060-CSL66094-35150-2009	7,000
State Grants to Public Libraries	11000-CSL66051-17003-2009	1,576
Connecticard Payments	11000-CSL66051-17010-2009	756
<u>Department of Transportation:</u>		
Town aid road grants - transportation fund	12001-DOT57131-17036-2009	161,342
Local bridge program - transportation programs	12062-DOT57151-22108-2009	804
<u>Board of Education Services for the Blind:</u>		
Education of handicapped blind children	11000-ESB65020-12060-2009	699
<u>Office of State Comptroller:</u>		
Boat grant	12027-OSC15910-40211-2009	2,507
Payment in lieu of taxes (PILOT) on state owned property	11000-OSC15910-17004-2009	42,930
Mashantucket Pequot Grant	12009-OSC15910-17005-2009	62,128
<u>Department of Environmental Protection:</u>		
Recreational trails program	12060-DEP44321-20296-2009	83,121
Clean diesel grant program	12060-DEP43520-22319-2009	2,080
New diesel buses	11000-DEP43520-12391-2009	6,250

Town of Lebanon, Connecticut
Schedule of expenditures of state financial assistance (continued)
For the year ended June 30, 2009

State grantor/pass through Grantor/program title	State grant program Core-CT number	Expenditures
<u>Department of Agriculture:</u>		
Agriculture viability grant	12060-DAG42710-90456-2007	\$ 23,980
Agriculture viability grant	12060-DAG42710-90456-2007	38,100
<u>Department of Social Services:</u>		
Small town economic assistance program	12052-DSS60783-40533-2008	175,000
<u>Department of Emergency Management & Homeland security:</u>		
School security grant program	12060-EHS99530-90516-2009	40,074
<u>Other Departments and miscellaneous awards:</u>		
Non-budgeted operating appropriations	34001-JUD95162-40001-2009	3,490
Help America vote	12060-SOS12500-21465-2009	1,658
Other expenses	11000-DSS60439-10020-2009	20
Other expenses	11000-DRS16324-10020-2009	32
Farmland preservation	12060-DAG42720-90460-2008	10
Citizens corp	12060-EHS99530-21880-2005	918
Emergency management participation grant	12060-EHS99660-21881-2008	1,125
Emergency management supplemental grant	12060-EHS99620-22233-2007	1,840
Emergency management supplemental grant	12060-BAA77121-35186-2009	5,000
Total State Financial Assistance before exempt programs		<u><u>\$ 1,031,222</u></u>

Exempt Programs

<u>State Department of Education:</u>		
School construction progress payments		
Principal	13010-SDE64370-40901-2009	\$ 46,028
Principal	13010-SDE64370-40901-2009	402,111
Interest	13009-SDE64370-40896-2009	49,406
Transportation for school children - Public	11000-SDE64370-17027-2009	178,156
Education equalization	11000-SDE64370-17041-2009	5,380,079
Special Education - EXCS	11000-SDE64370-17047-2009	523,967
Special Education - API	11000-SDE64370-17047-2009	146,291
Total Exempt Programs		<u>6,726,038</u>
Total Expenditures of State Financial Assistance		<u><u>\$ 7,757,260</u></u>

Town of Lebanon, Connecticut
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2009

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Lebanon, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lebanon, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Lebanon, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.
- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Lebanon, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2009

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: qualified

Internal control over financial reporting:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material weakness (es) identified? | <u>X</u> | yes | <u> </u> | no |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>X</u> | yes | <u> </u> | none reported |
| • Noncompliance material to the financial statements noted? | <u> </u> | yes | <u>X</u> | no |

State Financial Assistance

Type of auditors' report issued on compliance for major programs unqualified

Internal control over major programs:

- | | | | | |
|---|---------------|-----|----------|---------------|
| • Material weakness (es) identified? | <u> </u> | yes | <u>X</u> | no |
| • Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u> </u> | yes | <u>X</u> | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | <u> </u> | yes | <u>X</u> | no |

Major State Programs and percentage of coverage

- The following schedule reflects the major programs included in the audit. Sec. 4-230 (12) defines a major state program as any program, excluding an exempt program, for which total expenditures of state financial assistance by a non state entity during the applicable year exceed the larger of (A) \$100,000 or (B) one percent of the total amount of state financial assistance expended, excluding expenditures of an exempt program by the non state entity during the audited year. Sec. 4-233(c)(2) limits the testing of additional state programs to achieve the 50% coverage provision in Sec. 4-233(c)(1) of the Act to up to two non exempt programs with state financial assistance expenditures of \$25,000 to \$100,000. Total non exempt state financial assistance expended by the Town were \$1,031,222. The programs tested as major and shown below represent 57.45% of the total non-exempt state financial assistance expended.

State grantor and program	State grant program Core-CT number	Expenditures
School readiness	11000-SDE64370-12113-2009	\$ 107,000
Vocational Agriculture	11000-SDE64370-17017-2009	149,091
Town aid road grants - transportation fund	12001-DOT57131-17036-2009	161,342
Small town economic assistance program	12052-DSS60783-40533-2009	175,000
		<u>\$ 592,433</u>

Town of Lebanon, Connecticut
Schedule of findings and questioned costs (continued)
For the year ended June 30, 2009

II. Financial Statement Findings

- We issued reports, dated January 14, 2010, on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable any instances of noncompliance.
- Our report on internal control over financial reporting indicated six significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings, questioned costs, and responses of the federal compliance section of these financial statements referenced to as item numbers 09-01F through 09-06F starting on page 68. We consider item numbers 09-01F, 09-02F, 09-05F and 09-06F to be material weaknesses.

III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are reported relating to State financial assistance programs.